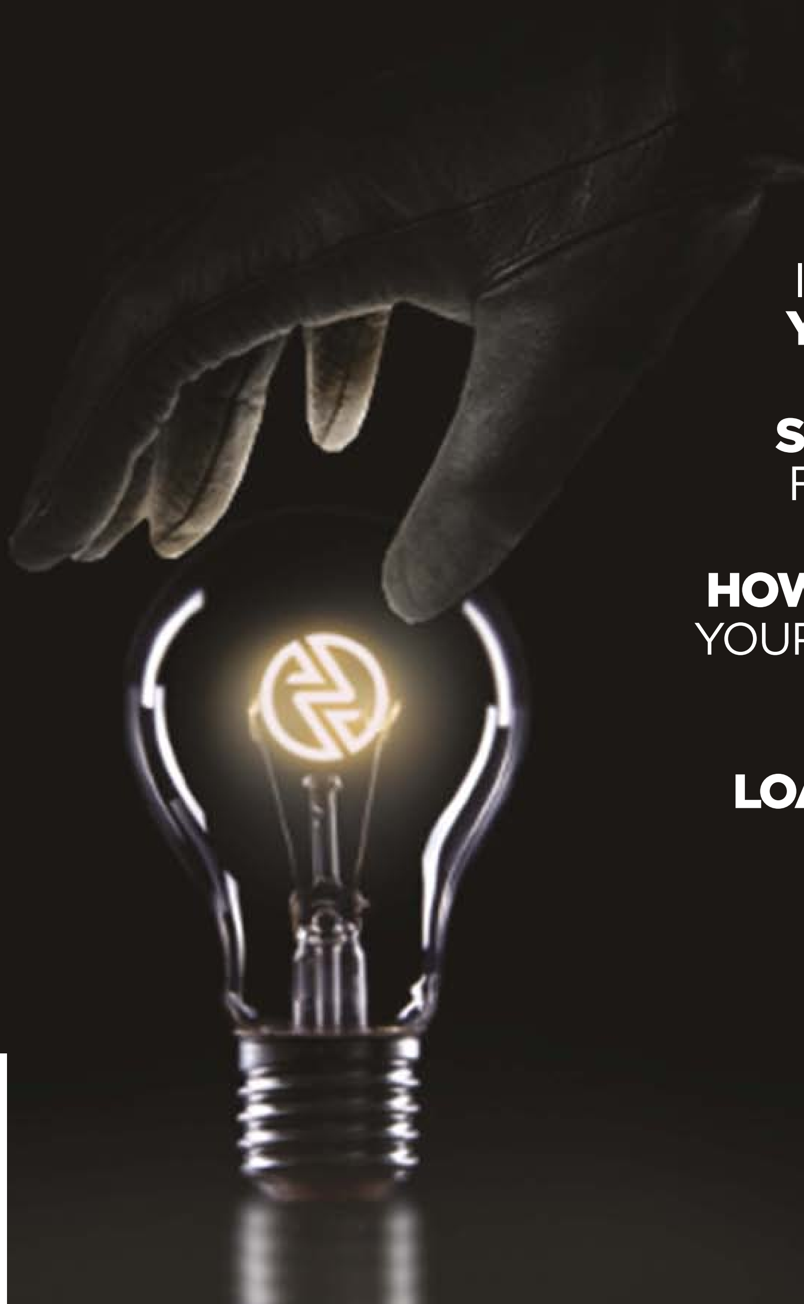
finweek

www.finweek.com
18 June 2015

HOW TO BEAT LOAD-SHEDDING



IS THE WORST **YET TO COME**?

SOLAR POWER FROM R10 000

HOW TO FINANCE YOUR NEW SYSTEM

THE BEST **LOAD-SHEDDING APPS**

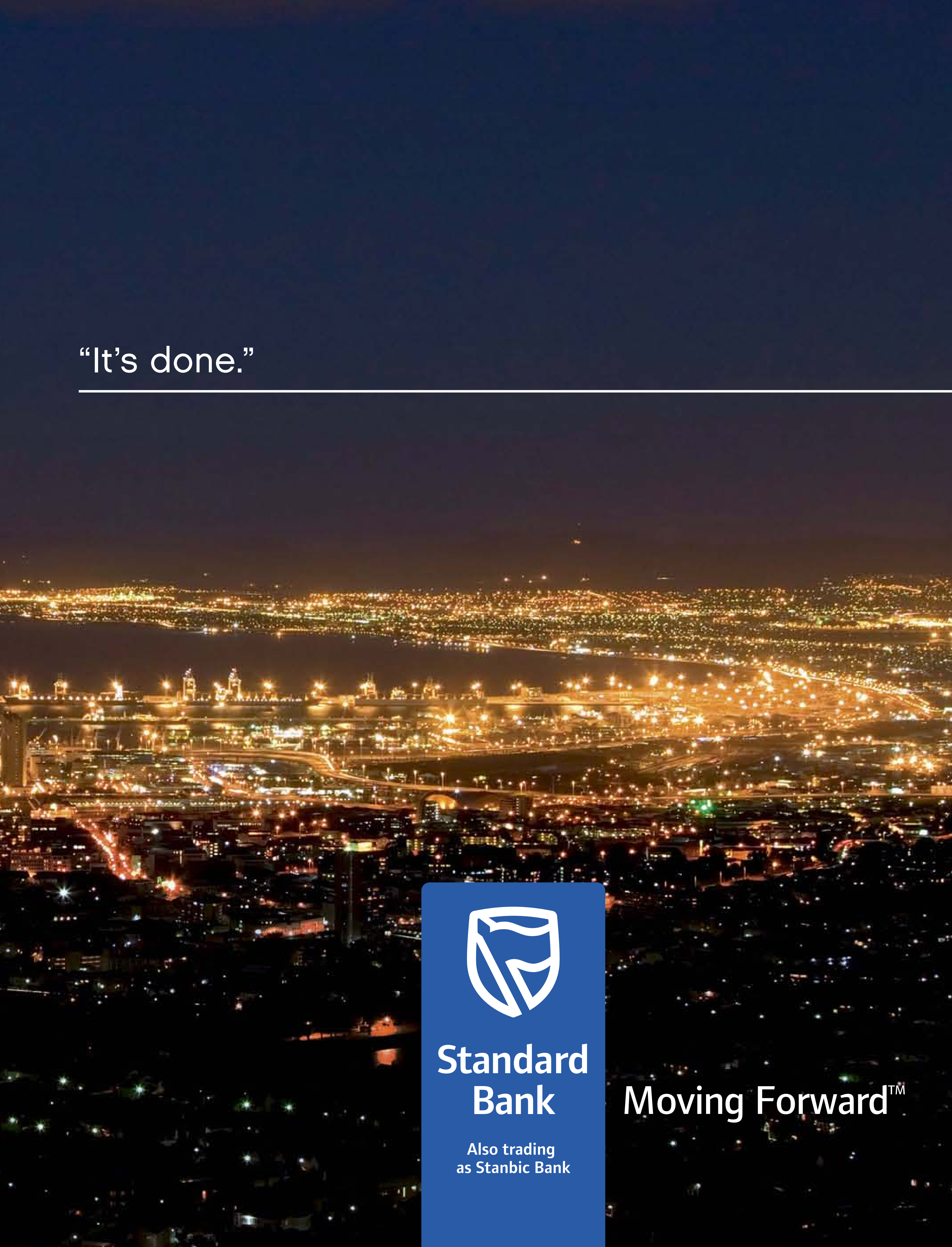
THE COST OF **GAS**

TIPS FROM **NIGERIA**

SA: R27.50 (incl. VAT)
Other countries: R24.12 (excl. VAT)

25004

9 771024 740005


"It's done."
Standard Bank
Also trading as Stanbic Bank
Moving Forward™

Inside

P28
The world's largest card payment company you've never heard of

P33
SA women making it big in tech

P54
Giving a hand to bring change

P16
YOUR ULTIMATE **LOAD-SHEDDING** SURVIVAL GUIDE

Cover story: Liesl Peyper, Shandukani Mulaudzi, Buhle Ndweni, Lameez Omarjee, Clementine Wallop
Cover layout: Tshebetso Ditabo
Cover story layout: Beku Mbotoli

EDITORIAL EDITOR JANA MARAIS **MANAGING EDITOR** RUWAYDAH HARRIS **JOURNALISTS AND CONTRIBUTORS** SIMON BROWN, PAUL CLARK, LUCAS DE LANGE, MANDY DE WAAL, MOXIMA GAMA, GUY HARRIS, JESSICA HUBBARD, GUGU LOURIE, SCHALK LOUW, SHANDUKANI MULAUDZI, BUHLE NDWENI, JUSTINE OLIVIER, LAMEEZ OMARJEE, LIESL PEYPER, CIARAN RYAN, KRISTIA VAN HEERDEN, CLEMENTINE WALLOP, GLENDA WILLIAMS **SUB-EDITORS** STEFANIE MULLER, KATRIEN SMIT **OFFICE MANAGER** THATO MAROLEN **LAYOUT ARTISTS** BEKU MBOTOLI, ZANDRI VAN ZYL, TSHEBETSO DITABO, GLENDA WILLIAMS **PUBLISHER** LEE-ANNE COOSNER **GENERAL MANAGER** MINETTE FERREIRA **CEO: MEDIA24 LIFESTYLE** CHARLENE BEUKES **CFO: MEDIA24 LIFESTYLE** RAJ LALBAHADUR **ADVERTISING SALES** NATIONAL SALES MANAGER STEPHANIE PILLAY 011-322-0957 **CIRCULATION SALES & SOLUTIONS CIRCULATION MANAGER** ARMAND KASSELMAN 021-443-9975

PUBLISHED BY MEDIA24 WEEKLY MAGAZINES **PRINTED BY** PAARL MEDIA AND **DISTRIBUTED BY** ON THE DOT **HEAD OFFICE** 40 HEERENGRACHT, CAPE TOWN, 8001 OR PO BOX 1802, CAPE TOWN, 8000. PHONE 021-406-4552 **GAUTENG OFFICE** 69 KINGSWAY AVENUE, JOHANNESBURG, 2092 OR PO BOX 333, AUCKLAND PARK, 2006 TEL 011 713 9601. **WEBSITE** www.finweek.com **OVERSEAS SUBSCRIBERS** +27-21-405-1905/7

INQUIRIES

SUBSCRIBERS		SHOPS
087 740 1019	Fax	**0861-888-989**
subs@finweek.co.za	021 405 1031	assistance@onthedot.co.za

Share your thoughts with us on Twitter (@Finweek) or find us on Facebook (facebook.com/Finweek)

MEDIA24

SEND US YOUR FINANCIAL QUESTIONS
EDITORIAL@FINWEEK.CO.ZA

Feedback

Contact *Finweek*, 69 Kingsway Avenue, Auckland Park, Johannesburg 2092, tel (011) 713-9601 or editorial@finweek.co.za

MEAT PRODUCTION NOT THE PROBLEM

MARY PEDDIE WRITES FROM THE FRASERBURG DISTRICT IN THE NORTHERN CAPE:

Due to the postal strike we are a bit behind with our reading, hence I have only just got to the *Finweek* of 15-21 May.

On page 14 is an article about the alleged cost of meat. As a farmer, I take issue, not only with the figures (6 800 litres of water to produce half a kilogram – including perhaps the family washing up afterwards?) but with the assertion that eating meat harms the planet and affects the poor.

Animal protein is a necessary part of a healthy diet. I am sure that, if we all stopped eating meat, within five generations the human race would be walking about on all fours grazing and probably bleating.

I can only think that this article was compiled by a bunch of control-freak, vegetarian greenies who live a sheltered life and are able to avoid reality – unlike us farmers.

The problems mentioned are caused not by healthy eating but by the excessive number of humans. Cut the reproduction rate of this invasive species and all the negative effects on our planet, whether of global warming, water shortages, forced migration and starvation can be solved.

JANA MARAIS, *FINWEEK* EDITOR, RESPONDS:

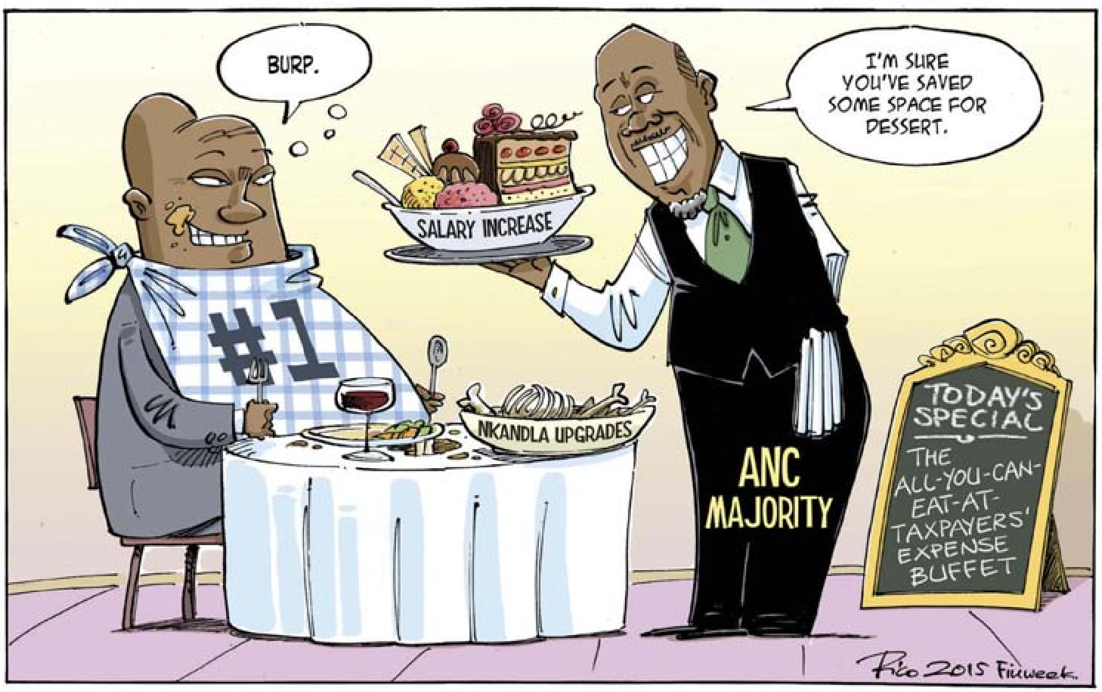
The infographic was compiled by development consultancy Dalberg and is based on a research report commissioned by The Rockefeller Foundation. The full report has unfortunately not been made public.

However, other research has also shown the environmental impact of red meat production compared with other foodstuffs and other forms of livestock. A scientific study published in December 2013, for example, found that livestock production uses one-third of the world's fresh water.

Of course, the environmental footprint of livestock production will not be equal everywhere in the world. The same study, published in the *Proceedings of the National Academy of Sciences*, found beef cattle in impoverished regions like Sub-Saharan Africa may need 10 times more feed to produce a kilogram of protein, due to the poor quality of the feed, than cows raised in richer areas. ■

Double take

finweek



In Brief

9

The number of votes by which David Sipunzi beat incumbent Frans Baleni to become the new general secretary of the NUM. Sipunzi said he will work on uniting the union and win back members from rival union Amcu, to which thousands of workers defected under Baleni's watch. Unlike Baleni, who has served as leader for nearly a decade, Sipunzi is understood to be supportive of ousted Cosatu general-secretary Zwelinzima Vavi and Numsa.

$12 BN

General Electric (GE) will sell its private equity business, US Sponsor Finance, to Canada Pension Plan Investment Board in a deal valued at around $12bn (R150bn) as it refocuses on its core industrial businesses and exits a banking sector that is now under stricter oversight, *The Guardian* reported. GE spun off Synchrony Financial, a consumer credit card business, into a separate publicly traded company last July.

Cripple Creek & Victor gold mine

Matthew Staver/Bloomberg

$820M

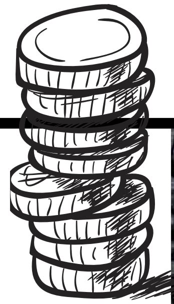
The amount (R10.25bn) AngloGold Ashanti will receive in cash from the sale of its Cripple Creek & Victor gold mine in the US, which will allow it to pay off nearly a third of its debt. At the end of March, AngloGold had gross debt of $3.67bn.

7 800

The number of jobs on the line at Telkom, as it plans to bring down staff costs to 25% of revenue. The telecommunications operator reported a 60% increase in headline earnings per share to 532.5c for the year to end March. It declared a dividend of R2.45 a share, its first since 2011.

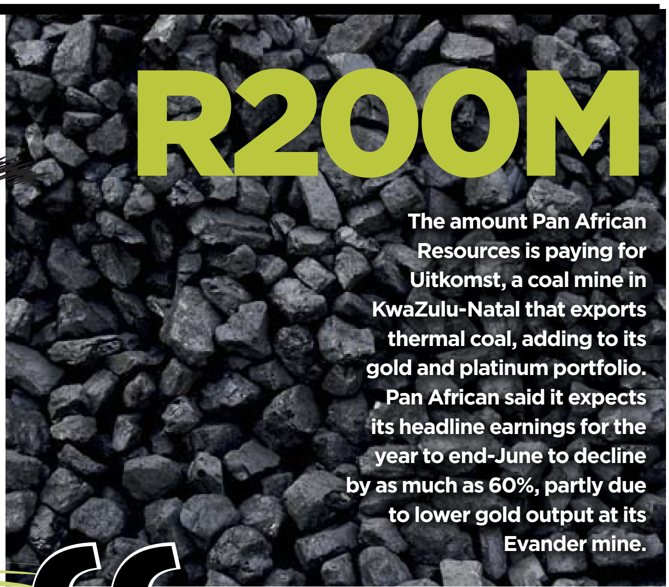
>R14.9bn

The projected loss suffered by state-owned PetroSA in the 2014/15 financial year, according to *Business Day*. This is mainly due to a R12bn impairment on Project Ikhwezi, which aimed to extend the life of Mossgas, its gas-to-liquids refinery near Mossel Bay, by searching for additional gas resources.



R193bn

The amount private sector players have committed to investing in renewable energy in the country since 2011. On 7 June, minister of energy Tina Joemat-Pettersson announced an additional 13 preferred bidders as part of the renewable energy programme. They will supply an additional 1 084MW to the grid. To date, 92 renewable energy projects have been approved by the department, which will contribute 6 327MW of capacity to the grid. Medupi, Eskom's mega coal-fired power station that is under construction near Lephalale will add 4 800MW once complete.



R200M

The amount Pan African Resources is paying for Uitkomst, a coal mine in KwaZulu-Natal that exports thermal coal, adding to its gold and platinum portfolio. Pan African said it expects its headline earnings for the year to end-June to decline by as much as 60%, partly due to lower gold output at its Evander mine.

Gallo Images/iStock

THE GOOD

The US and SA have finally reached a settlement in the long-running dispute over US chicken imports, which threatened the likelihood that SA will continue to benefit from the Africa Growth and Opportunity Act (Agoa). Under Agoa, a range of products enjoy duty- and quota-free access to the US, which is crucial for SA's vehicle manufacturing sector in particular.

"The expulsion of Numsa is not a contribution to worker unity, that's my belief. And expulsion of Vavi is not going well with the general membership on the ground level. I'm tired of being shouted at by members asking when Vavi is coming back. I can no longer close my ears to those calls."
– David Sipunzi, newly elected general-secretary of the NUM.

THE BAD

Sasol CEO David Constable will step down when his contract expires at the end of June next year. The market didn't like the news, as Sasol has been undergoing a major restructuring on Constable's watch and embarked on a massive international expansion drive, notably the building of an $8.9bn ethane cracker in Louisiana, USA.

Chris Ratcliffe/Bloomberg via Getty Images

"We cannot have 0.1% of 0.1% taking all the spoils. It's unfair and it is not sustainable. How is society going to cope with structural unemployment and the envy, hatred and the social warfare? We are destroying the middle classes at this stage and it will affect us."
– Billionaire businessman Johann Rupert, founder and chairman of luxury goods group Richemont, on what keeps him awake at night.

THE UGLY

The South African government will spend about R1.8trn on public sector wages over the next three years, 40% of its overall spending. This compares to an average of 25% of public spending on wages in other Brics countries.

GOING VIRAL

A teacher checks the temperature of a student while they wear masks as a precaution against the Middle East Respiratory Syndrome (MERS) virus at Midlong Elementary on 9 June in Seoul, South Korea. The country has reported nine deaths related to the virus with 2 500 people quarantined and 1 800 schools closed as of 9 June.

MERS was first identified in Saudi Arabia in 2012 and no vaccine or cure exists. The outbreak in South Korea was started by a patient who had returned from a visit to the Middle East. He visited four medical facilities in South Korea after developing symptoms, which included fever, coughing and shortness of breath, before MERS was identified. While MERS is not highly infectious, it has a death rate of around 30% to 40%.

Picture: Chung Sung-Jun/Getty Images


KIDS

3 apps to better plan for **load-shedding**

BY SHANDUKANI MULAUDZI AND LAMEEZ OMARJEE

Load-shedding is here to stay whether we like it or not. With all the different municipalities and their different websites and schedules, wouldn't it be great if you could just have someone send you a notification to alert you of load-shedding in your area? Some apps have been developed to do just that. *Finweek* tried out three apps that could help you plan better for load-shedding.

> "WOULDN'T IT BE GREAT IF YOU COULD JUST HAVE SOMEONE SEND YOU A NOTIFICATION TO **ALERT** YOU OF LOAD-SHEDDING IN YOUR AREA?"

GRIDWATCH

RATING: ✱✱✱✱

News24 wanted to expand its service offering by developing aggregated load-shedding schedules across the country. According to Cathryn Reece, head of product development at 24.com, they wanted to present data in a "clean, unambiguous" way.

Development started in January 2015. Obtaining accurate data schedules from various municipalities and Eskom, and putting it in a universal format was challenging, says Bjorn Moyo, product and marketing assistant at 24.com. "As time went on we found that we were having issues ensuring that the data we had reflected what the user was experiencing in their homes or workplaces," he says.

Users complained that not enough advance warning was given, mostly because Eskom implemented load-shedding without informing affected areas. There was a surge in users, which resulted in some delays with push notifications reaching them, says Reece. It resulted in developers doing an overhaul of the current push notification system, adds Moyo. The push notifications now give a 30 minute warning before an area gets load-shedding, he says.

The uptake of the app has been "outstanding", says Moyo. It has more

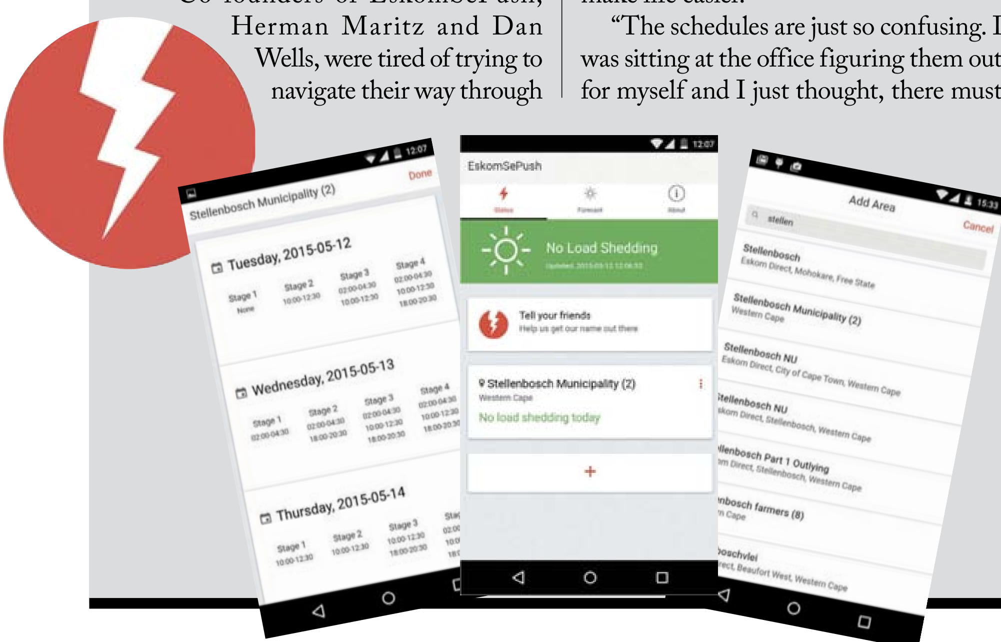
ESKOMSEPUSH

RATING: ✱✱✱✱ 1/2

Co-founders of EskomSePush, Herman Maritz and Dan Wells, were tired of trying to navigate their way through different load-shedding schedules so they decided to develop an app that would make life easier.

"The schedules are just so confusing. I was sitting at the office figuring them out for myself and I just thought, there must be a way to automate this information and send it to everyone to make it simpler," says Wells.

Maritz and Wells, who have full-time jobs as app developers, initially created their app for fun. But with 126 000 downloads currently, the name is not the only thing that's attracting users. The app is simple to use – you download it, enter the area you need notifications for, then wait. Soon you receive notifications of when load-shedding is scheduled to start in your area. The app warns you hours in advance and you can also check for possible load-shedding for the next three days. Although you can add more than one area at once, it is not clear from the notification you receive which of the areas you have loaded is going to



than 100 000 downloads on Google Play Store and they hope to pass the 500 000 mark in the near future, he says.

GridWatch has the largest aggregated list of schedules that can be searched by suburb or municipality. The app allows consumers to save an unlimited number of locations, which can be personalised to the home screen. The app also has a torch, which is one of the most talked about features on the app, says Reece. It was requested by a user, says Moyo. "We said, 'Why not?' and now there is a torch."

There are plans to launch the app, currently on Android, on iOS. Features like improved app interaction using Google Talk for disabled users, customisable sounds and torch, and improved customisation with notifications are in development.

The service is accessible via Google Play Store for free and will soon be available on iTunes. "Our site is also fully optimised for mobile devices, so if you are on other platforms, you can go directly to http://loadshedding.news24.com," says Reece.

Rating basis: Not on iOS yet, the user interface is a little tricky at first and easier to navigate on the website. All municipalities are included, which is fantastic.

experience load-shedding at that time. You then have to go into the app and check.

"We are aware of that problem and for the next version we are planning on having the notifications for specific areas," says Maritz.

In the near future Wells and Maritz would like to have GPS location added to the app so that it can track your location and tell you if you are headed to an area which is experiencing load-shedding.

The app is available at no cost on Android and iOS.

Rating basis: Plans for growth are exciting and will make the app a 5/5. Already available on iOS and Android, it is also looking to expand to BlackBerry and Windows. It also includes all municipalities for better access. There are no ads in this app, which makes using it pleasant. Downfall – notifications are not area-specific.

"THE APP **WARNS** YOU **HOURS** IN ADVANCE."

MY ESKOM

RATING: ✱✱✱

Eskom's website has been simplified and adjusted to make schedules easier to access on mobile devices. It took three months to develop the My Eskom app. Some of the challenges included having to cater for various mobile devices and the associated operating systems, and ensuring a well-performing mobile app with enough content to provide a "great" user experience, says a spokesperson from the Eskom media desk.

The app has only recently been released and challenges and uptake by the public is still to be determined. The app provides the latest information on the status of the national power grid and has a 'Talk to Eskom' function, which allows users to contact Eskom via an email query. It provides energy-saving tips, weather information and basic information on power outages.

Consumers can set up a profile, indicating their area, appliances and contact details.

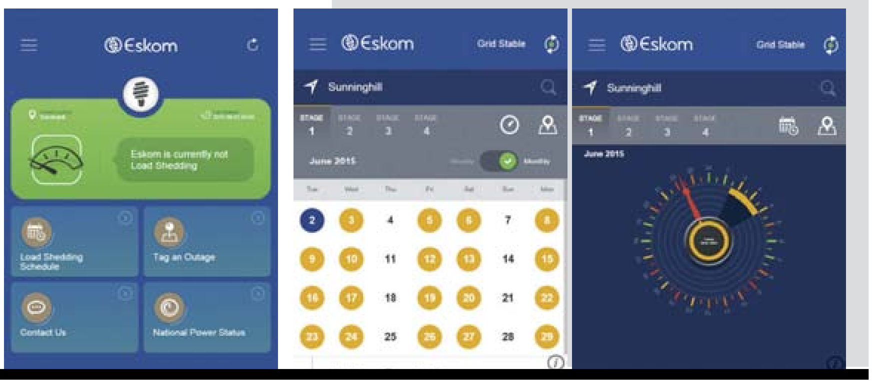
In future there are plans to have push notifications and options to save locations. The app is about as accurate as the Eskom load-shedding schedule website and is updated as schedules change.

The app is free and can be downloaded using Android (and iOS when it becomes available) services and appropriate app stores. The website caters for devices other than Android and iOS.

Unfortunately, the app does not indicate schedules for certain municipalities, instead, consumers are directed to a link with the contact details of relevant municipalities.

Rating basis: User interface not very user friendly. Not on iOS yet and it does not have load-shedding schedules for all municipalities.

editorial@finweek.co.za



LETTER FROM NIGERIA

The First Lady and the sparkly **watch**

How much time do you spend in the morning thinking about which watch you'll wear? Seconds, minutes, hours? I'm assuming no more than a moment or two, most probably because you have just the one watch. If you're an oil magnate or a collector, maybe there's a glass-fronted case protecting serried ranks of timepieces, but otherwise it's not the big decision of the day.

For Aisha Buhari, the wife of President Muhammadu Buhari of Nigeria, this is now apparently a crucial decision, coming as it does after the first full week of her husband's administration and after a roar of outrage when it was revealed that the watch she wore to his inauguration may (I repeat may, and imagine it in italics and in bold) have cost a lot of money. It may have been a diamond-crusted Cartier worth around 10m naira (R631 000), which is enough to stick in the throat of any Nigerian who can't afford to eat.

Alternatively, it may have been the kind of knock-off that many of us buy on holiday to make ourselves look that bit flashier than we are. It may have cost around $150 (R1 900). That's not a cheap watch by some Nigerian standards; many people here would be happy with any watch at all, but there's a world of difference between a watch that costs tens of thousands and a watch that, for all we know, costs just tens.

Why, you might be wondering, am I rattling on about watches in what was such a big week for Nigerian politics? Because the watch furore doesn't tell us nearly as much about Aisha Buhari's personal style as it does about the pressure on the Buhari administration and the scrutiny it is already under to conduct themselves properly at all times.

> IF THIS IS THE LEVEL OF DISCOURSE NOW, WHAT WILL IT BE WHEN HE MAKES **RADICAL** REFORMS?

For some Nigerians, the Buhari watch (if you'll excuse me) must be unblemished in its austerity and unrivalled in its humility. Therefore the idea of the president's wife sporting that much sparkle was a sign that, just months after being voted into office, Buhari and family were already straying from the correct moral path and would go the corrupt way of so many of Nigeria's leaders. Eyes were rolled, sighs expelled and shoulders shrugged with a sense of, 'Hey, what did we expect of these people anyway? We knew it'd be no different.'

For others, the possibility that she was wearing a fake was equally unpalatable, because a nation as great as Nigeria can't possibly have a cheap First Lady, right?

This is the scorching brightness of the spotlight the Buharis find themselves in just a few days in, before the president has enacted any legislation, before he has laid the lash into corrupt officials, before he has taken apart and started to reassemble the broken national oil company.

If this is the level of discourse now, what will it be when he makes radical reforms, and who could blame Aisha Buhari for never wearing a watch in public again? ■

editorial@finweek.co.za

First Lady Aisha Buhari registering to vote on 28 March 2015

Photo: AFP

The Boeing Co. Everett Factory

Boeing 777 planes are manufactured at the company's facility in Everett, Washington, USA. Adding capacity on the 777-300ER is part of Boeing's quest to drum up orders for a best-selling aircraft line into the next decade as it prepares to start building the upgraded 777X.

David Ryder/Bloomberg via Getty Images

25 000

The number of jobs British bank HSBC wants to cut as it plans to sell underperforming businesses in Turkey and Brazil, cut the size of its global investment banking business and cut costs by up to $5bn (R62bn) annually within two years. The job cuts will affect 20 000 to 25 000 full-time employees, or about 10% of its workforce, and another 25 000 employees who work for businesses that will be sold. The bank plans to finalise the restructuring by the end of 2017, *The New York Times* reported.

43

The number of years Albert Woodfox (68) was imprisoned in solitary confinement in Louisiana, USA, following the death of a guard during a 1972 prison riot. A US district judge ordered his unconditional release on 9 June. Woodfox has long maintained his innocence, which has been backed up by a scientific review of the evidence, a polygraph test and an eyewitness account.

AFRICA'S ENERGY GAP: THE COSTS OF THE DIVIDE

621m
Africans do not have access to electricity.

60%
of Sub-Saharan Africa's energy is consumed by South Africa.

$82bn
of petroleum was exported by Nigeria in 2013, representing R1tr.

93m
Nigerians lack access to electricity.

A Tanzanian takes
8 years
to consume as much electricity as an American consumes in one month.

Africa accounts for only
2.3%
of global CO_2 emissions.

In 9 African countries, more than
80%
of primary schools have no electricity.

Affordable and reliable electricity underpins every aspect of social and economic life, but in Sub-Saharan Africa, two in every three Africans – around 621m people – have no access to electricity at all, according to the latest *Africa Progress Report.* This is a crisis that demands urgent political attention, according to the panel, which includes esteemed dignitaries such as former UN secretary-general Kofi Annan and former Nigerian president Olusegun Obasanjo.

Without universal access to energy services of adequate quality and quantity, countries cannot sustain dynamic growth, build more inclusive societies and accelerate progress towards eradicating poverty, the report stated. Viewed from an investment perspective, replacing existing fuels with modern energy represents a widely neglected market opportunity. The investment gap that has to be closed if Africa is to transform its energy system is estimated at $55bn (R691bn) a year, according to the *Africa Progress Report.*

A kettle boiled
twice a day
by a family in Britain uses five times as much electricity as a Malian uses per year.

4/5
of the population (727m) rely on solid biomass, mainly fuelwood and charcoal, for cooking.

600 000
Africans are killed every year by air pollution caused by the use of solid biomass for cooking.

A freezer in the US consumes
10 times
more electricity than a Liberian in one year.

In Africa, the poorest households spend
20x more
per unit of energy than the wealthiest households with a connection to the grid.

$10bn
The amount (R125bn) spent on energy by Africans living on less than $2.50 (R31) a day.

On current trends, it will take Africa until
2080
to achieve universal access to electricity.

SOURCE: 'Power People Planet – Seizing Africa's Energy and Climate Opportunities'. *Africa Progress Report 2015*

how can we help you?

keep business up when the power is down.

FNB announced in April 2015 that it was providing 10 000 units of generators at a significantly discounted price to small business and residential clients to alleviate the immediate impact of load-shedding. The first phase of this intervention formed part of the Bank's long-term plan to help customers address energy constraints through alternative energy solutions.

The generators are available in various sizes (minimum of 1.0 kVA and maximum of 7.0 kVA) and clients can purchase these at the eBucks Shop. Customers have the convenient option of using cash, eBucks, or any existing FNB facility to purchase their preferred generator. All generators are discounted in comparison to similar retail offers. Importantly, the offer is available to both Personal and Business customer segments.

Sanjeev Orie, CEO of FNB Business Value-Adds says, "We believe that this is a timely solution as load-shedding is increasingly affecting businesses and consumers, and the generators we have secured will go a long way to helping our customers to plan better. We have partnered with a leading supplier of alternative energy solutions and based on customer demand, we will increase our generator inventory levels in the coming weeks."

"We are piloting a similar solution for larger FNB Business customers (generator sizes in excess of 150 kVAs). The pilot will focus on the energy needs of larger enterprises and our intention is to embark on a full rollout over the next few weeks once we are comfortable with our piloting objectives. Similarly, we are in the process of scoring all our customers for new and/or increased credit facilities to aid in the purchase of an alternative energy solution," he adds.

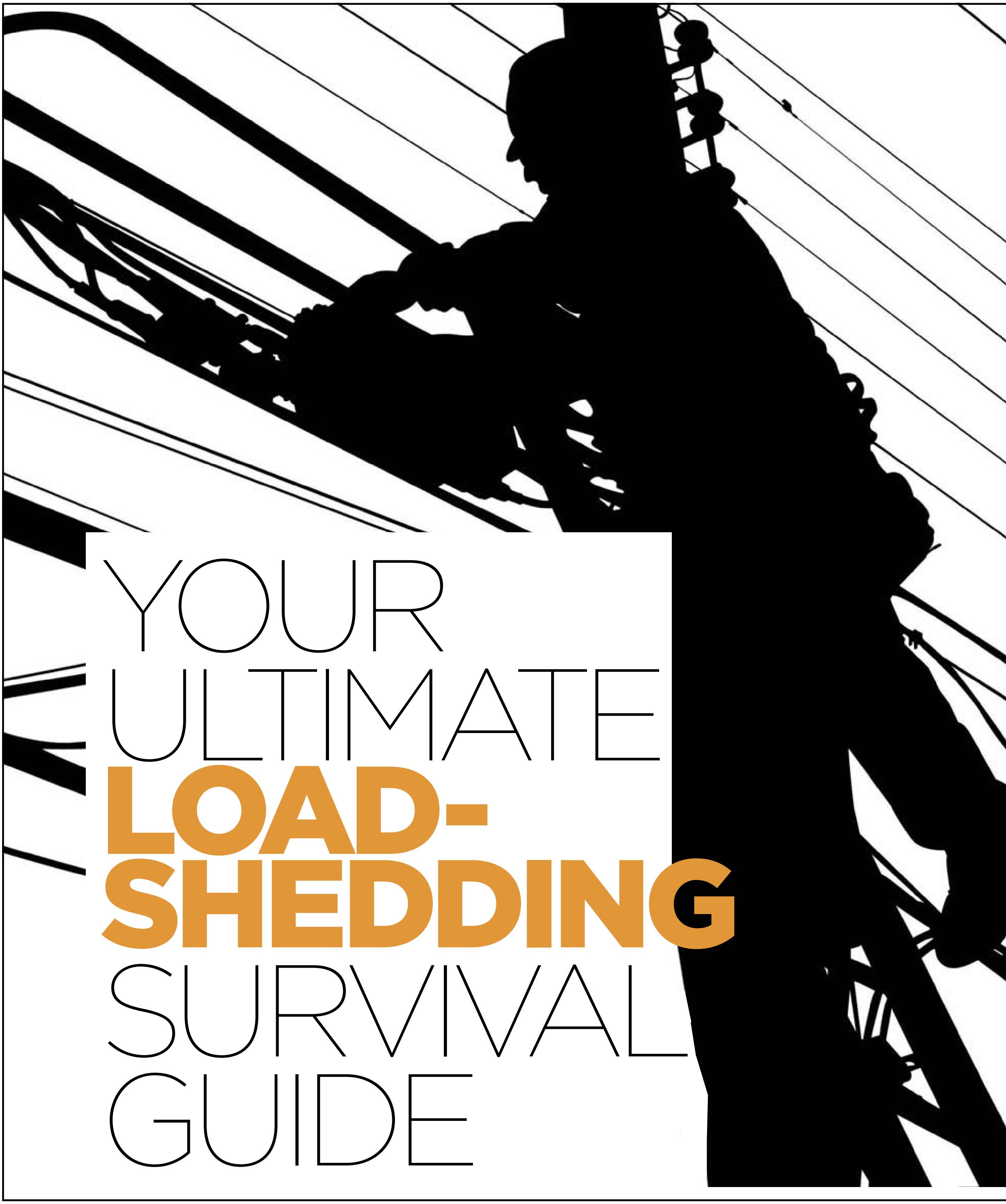
Since the beginning of 2015, the national energy grid has remained under pressure and consequently, South Africa is experiencing a relatively high frequency of load-shedding. The National Government has shown commitment to resolving the country's energy challenges by announcing plans to contribute billions to improve supply.

"It is important for the private sector to support efforts to minimise the impact of energy constraints on businesses as well as consumers. From an FNB perspective, our long-term objective is to enable clients to easily access alternative energy solutions, including solar and gas, to reduce pressure on the national grid while boosting productivity among businesses and consumers," concludes Orie.

To date, a total in excess of 5 000 of the smaller generators have been sold (generators typically used in residential or small business applications and less than 10 kVA in size), while the larger generator units (> 30 kVA and used by large businesses) have surprised us to the upside in that about R6.0m worth of generators have been sold and installed with a significant number of businesses still being quoted for across the country.

These larger generators are used in restaurants, quick service businesses, and even manufacturing businesses, and the largest generator installed to date has been a 400 kVA unit in the Western Cape.

In closing, the piloting of a credit facility exclusively for the purchase of a generator has now been completed, and FNB is pleased to announce that commencing next week, customers who have been pre-selected for a facility will be contacted with a direct offer for these generators, thus easing the purchase and repayment terms for customers.



Gallo Images/iStock

YOUR ULTIMATE **LOAD-SHEDDING** SURVIVAL GUIDE

IS THE **WORST** YET TO COME?

BY LIESL PEYPER

The City of Cape Town set aside R245m in its 2015/16 budget in case of a national blackout. Although analysts believe the probability of this happening is low, it's worth considering what we'll have to endure if all of South Africa's lights go out simultaneously.

On 14 August 2003 the northeastern parts of the United States and Canada came to a standstill when the electricity grid failed. About 55m people were left in darkness. Power was restored some 12 hours later, but in some parts electricity only came back on five days later.

Back on home turf, Eskom conducted tests in March to assess our state of readiness should we experience a complete blackout. An announcement by Cape Town mayor Patricia de Lille that the metro has made provision for millions of rand to buy generators, two-way radios and pamphlets in case of a complete power shutdown once again raised fears of a country-wide meltdown.

LOW PROBABILITY, SEVERE CONSEQUENCES

Eskom has consistently denied the possibility of a national blackout since rumours surfaced, and industry experts corroborate this assertion.

"I believe the probability for a total shutdown is very low indeed," says Chris Yelland, energy analyst and managing director at EE Publishers. "But the consequences will be severe, which would make the risk significant."

Yelland explains that risk can be equated to the following formula: probability multiplied by the severity of consequences. So if you have a low probability but serious consequences, the risk is considerable. That's why all spheres of government need to make emergency plans for any "obscure possibility".

"WE'RE FACING A COAL-SHORTAGE-DRIVEN **BLACKOUT** THAT COULD CAUSE A CATACLYSMIC MELTDOWN

"We can't just wait until it happens and then start running around like headless chickens," says Yelland. Although the probability may be low, a national blackout is a very serious matter and will have a debilitating impact on SA.

"We don't know exactly how long it will take to restart the grid – Eskom has said in the past it could take a week or two, depending on how well prepared we are. If they've put in place proper plans and practiced what steps need to be taken, things may get done in a more organised fashion. Perhaps it would then be on the shorter side of two weeks."

There are two types of electricity blackouts, says energy analyst Ted Blom, who has studied Eskom for more than three decades. "If it's a forced, controlled shutdown that is system-driven, it shouldn't cause too much damage and Eskom would be able to start up the grid within 24 hours."

But if the shutdown occurs due to human error, such as the power failure in California in 2011, it's a different kettle of fish and it may take weeks, depending on the amount of damage that was done.

COMING TO A GRINDING HALT

So what are we to expect if there's a total blackout?

There won't be an immediate crisis,

says Blom. Garages and ATMs and most businesses will have backup power for about 12 hours. But matters get serious from the 13th hour on.

"You can imagine every person who has his or her own generator will run off to buy diesel or petrol," Yelland says, "and very soon fuel will run out and the country will face a national shortage."

Without fuel for generators the batteries of cellphones, credit card machines and the backup generating capacities of ATMs and banks will go flat and nobody will be able to make any transactions. Water will be in short supply, because municipalities rely on pumps to move water from reservoirs.

Yelland predicts "serious chaos to the extent of civil unrest and rioting", because people will be without money to buy food, which will increase the likelihood of looting. "President Zuma will have to deploy the police and security forces to restore order."

IS THE WORST YET TO COME?

Although the likelihood of an imminent national blackout is low, a much more serious situation is looming, says Blom. "What we have now is a drop in the ocean. We're facing a coal-shortage-driven blackout that could cause a cataclysmic meltdown. If you don't have coal, you don't have a power station working. That's a far bigger problem than the current generation issues."

Blom, like a number of economists, is predicting a "coal cliff" that will have Eskom start facing a coal supply shortfall by the end of this year already. "You'll find that the coal production profile of our mines will start dropping by about 10% per month. Between now and 2018 Eskom is going to be short of half of its annual requirements, which amounts to about 60m tons."

Eskom CEO Brian Molefe's recent claims that South Africa has "enough coal beneath the surface for 200 years" is correct, Blom says, but he's not taking into account that it takes at least five years – "if you're lucky" – to open a new coal mine.

"A big coal mine produces about 10m tons of coal per year. So to provide Eskom with 60m tons a year we require six big coal mines. This country has never opened six mines in a year, never mind coal mines. It's just not possible," Blom explains.

RENEWABLES – COLD COMFORT

Although Blom believes the current electricity shortage can be partly solved by installing rooftop solar power-generating capacity, it's not an answer to providing base-load energy generation.

"Seven million rooftop solar power panels may give us about 8 000 megawatt (MW), but what about night-time? You need coal-fired power stations for overnight capacity."

Robert Jeffrey, managing director and senior economist at Econometrix, also cautions that renewable energy, such as wind and solar, is not SA's salvation. "Renewables only supply power 30% of the time, and even then can't always be relied on. They have to have almost 100% back-up power. Yes, they have an important role to play in certain instances, but are not suitable for base-load power," he says.

In addition, renewables are significantly more expensive than efficient, well-built coal-fired power stations. Jeffrey believes SA needs to capitalise on its rich natural resources, particularly fossil fuels such as coal, and potentially offshore gas and shale gas.

"Fossil fuels will be a major source of energy for decades, if not centuries to come," Jeffrey says. ■

HOW TO **GET**

Load-shedding is likely to be a part of our lives for the next three years and possibly even longer. And with tariffs also rising – Eskom is asking for a 25.3% increase this year – it just makes financial sense to minimise Eskom consumption even if the electricity supply was secure.

In South Africa, there are only two alternative energy solutions for the household: wind and solar. The use of wind power, however, is only feasible on the east coast and west coast, as the wind doesn't blow strongly enough elsewhere. For the rest of the country, solar is the best bet.

This is according to the chairman of the Southern African Alternative Energy Association, Alwyn Smith. He says wind energy solutions are very specialised and generally end up being more expensive than solar because of the maintenance costs.

According to Smith, getting a solar photovoltaic (PV) system is an initial capital investment that is worth its cost. Although most solar energy installers will encourage you to get a full system at once, Smith says consumers can install it one step at a time if they cannot afford the entire system at once.

In the local context, the first dilemma is overcoming load-shedding. Smith says consumers can get a battery back-up system, which includes a battery and an inverter. The batteries are charged when you have electricity, and once load-shedding occurs, the inverter will convert the energy in the batteries to about 220 volts of power so you can run your essentials from them.

"What is important to understand is that with this simple system you are not saving anything

> "ONE 250-WATT PANEL IS ENOUGH TO POWER A HOUSE FOR ABOUT FOUR HOURS AFTER RECEIVING SIX HOURS OF SUNLIGHT.

OFF THE GRID

BY SHANDUKANI MULAUDZI

because you are still using Eskom power to charge your batteries," Smith says.

He adds that consumers can expect to pay about R7 000 for two batteries and an inverter. It is important to ensure that the battery back-up system you install initially is already configured to work with solar panels.

Smith says if a household wants to start small, one 250-watt panel is enough to power basic appliances in a house for about four hours after receiving six hours of sunlight. This panel would cost an individual about R2 500. This means for load-shedding purposes a household can have a solar system that works for as little as R10 000.

Smith stresses however that geysers, stoves and fridges should not be put on the PV system as they use up too much electricity.

"You have to start off by changing your appliances and changing whatever you are using your electricity for. You have to switch to gas for your stoves, to solar heating for your geyser and to LED lighting rather than the fluorescent lights most people have," Smith explains.

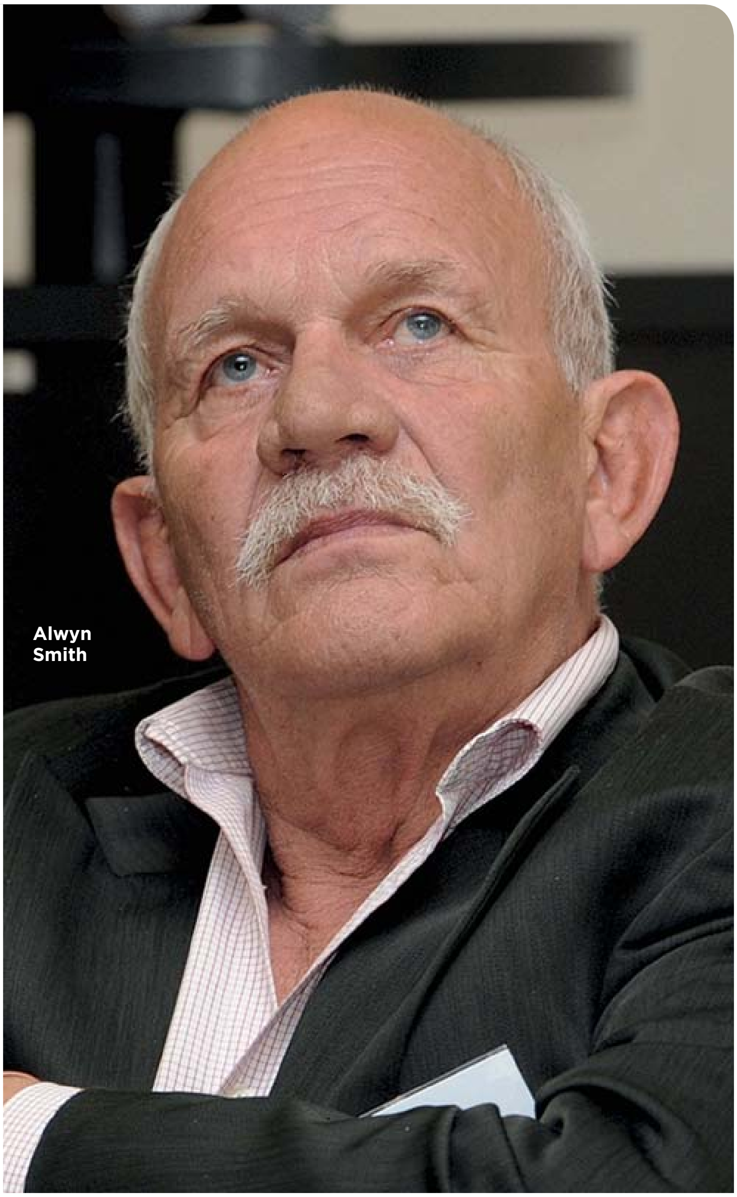
Getting off the grid completely, however, does not come cheap. "It can cost anything between R60 000 and R100 000 or more. It all depends on quality and what you want. It's like the difference between getting a Rolls-Royce or a Volkswagen."

Although getting off the grid is costly at first, in the end the consumer gains. The payback period on either a hybrid system (that uses the grid and switches to solar automatically) or an independent system can be anything between five to 10 years and sometimes more. Smith says what's great is that at some point, people with PV systems will have free electricity. Another added bonus is, if you sell your house, the system is a value-add to the property.

Smith says solar panels can be adjusted for any type of roof, including thatch. "There are all sorts of fitting methods. For tile roofs, for thatch roofs, for metal roofs, all of that. We can put the panels on a chimney or on specific fixtures. And if you really can't put it on the roof then we can put the panels on a stand next to the house," he explains.

It is important to note that solar panels have a lifespan of at least 20 years and the maintenance costs are negligible. The batteries are the most expensive component, as they need to be replaced approximately every seven years.

The National Energy Regulator (Nersa) is currently working on having feeding energy back into the grid legalised. This would mean people with PV systems would be able to add excess energy into the national grid during the day and have it looped (returned) to them at night when the PV system is not working.



Alwyn Smith

WHAT YOU GET FOR...

■ **R7 000 – Basic inverter and two batteries.** Charged by Eskom power when there is no load-shedding (so no cost saving on electricity bills). Can provide about 220 volts of power; enough to power basics like a television, phone charger and lights. Pick an option that can be converted to solar panels as a feedstock.

■ **R10 000 – Add a small 250W solar panel to basic option above.** After six hours of sunlight, it should provide sufficient energy to power household essentials (this exclude stoves, geysers, fridges etc.) for about four hours.

■ **R60 000 - R100 000+ –** Hybrid systems that allow solar and grid electricity usage, to systems that allow for complete independence from Eskom. Payback periods estimated from five to 10 years and longer, depending on the system you choose. ■

GETTING RID OF **ESKOM?**

With demand for alternative energy solutions skyrocketing, Absa and First National Bank (FNB) now offer their clients discounted products and various payment options for products including generators, heat pumps, solar geysers and photovoltaic (PV) solar systems.

SANJEEV ORIE, CEO of Value-Adds at FNB Business, says demand for the bank's load-shedding survival kit has been higher than expected. To date, it has sold 5 000 of the smaller generators – less than 10 kilovolt-amps (kVA) in size – which is suitable for households and small businesses.

"Demand for the larger generator units – more than 30kVA, which are generally used by large businesses – has equally surprised us," Orie explains. He says the bank has already sold and installed about R6m worth of larger generators and a significant number of businesses continue to show great interest.

HOW TO BUY

To sign up, FNB clients must complete an application online at the eBucks store, from where it is relayed to generator supplier Turner Morris. Alwyn Coetsee, managing director of Turner Morris, recommends prospective clients work out what size generator they require by using the group's online generator calculator and entering the appliances they would like to have running during load-shedding (available at http://www.turnermorris.co.za/generators/consumption-calculator).

A typical 6kVA generator (petrol units are available for **R9 449** at Makro) would

A CLOSER LOOK AT HEAT PUMPS

A **heat pump** is an air conditioner that works in reverse by transferring the ambient heat in the air into water using a heat exchanger. The process of 'moving' heat uses much less energy than generating heat using a traditional heating element. A heat pump will supply an existing geyser with warm water, meaning that the inefficient heating element in the geyser will rarely be active, thereby saving electricity.

The **battery back-up solutions** are sized to supply emergency power for essential devices for about four

HERE'S **HOW** TO PAY FOR IT

BY BUHLE NDWENI

be able to keep the lights, television and decoder on for up to eight hours during a power cut, Coetsee says. This small generator's tank has a capacity of 15 litres. Using appliances that draw less electricity will mean that less fuel is used.

But note that small diesel-driven generators are generally **30%-40%** more expensive than the equivalent petrol unit, Coetsee says. And while petrol-powered engines are cheaper to maintain than diesel-powered engines, diesel is cheaper than petrol.

PAYMENT OPTIONS

So far the majority of FNB customers have used a combination of payment options to buy alternative energy products, including using their available eBucks, cash and/or existing credit facilities, Orie says.

FNB's intention was to make the purchase as easy and affordable as possible, and hence a range of payment options were made available to its customers, Orie says. The bank will start piloting a credit facility exclusively for the purchase of generators by 12 June. Customers who have been pre-scored for a facility will be contacted with a direct offer for these generators, a way of easing the purchase and repayment terms for customers.

WHERE FNB IS focusing on generators, Absa is offering alternative energy solutions in partnership with Eco Navitas. The following products are on offer:

- **Battery back-up power solutions:** From **R21 217** (including installation)
- **PV systems:** From **R10 095** (including installation)
- **Solar geysers:** From **R15 514** (including installation)
- **Heat pump geysers:** From **R15 982** (including installation)

HOW TO BUY

Interested clients can visit the Absa Features Store online at www.absa.co.za/featuresstore, or contact the Eco Navitas Helpdesk (with a live web chat facility) at www.productsupport.eco-navitas.com. An Eco Navitas-accredited installer will then contact the customer to arrange a free site inspection with no obligation to the Absa customer, before providing them with a quotation.

"The initial capital investment required may be more than some households are willing to spend even if the investment immediately improves their quality of life by saving money and/or providing energy security. Purchasing a back-up power or PV system for your home is a big investment, but it is estimated that the entire investment can be recouped from three years upwards," says Pierre Loubser, managing executive for Absa Consumer Banking.

PAYMENT OPTIONS

Loubser says enquiries around finance options have been mixed based on individual circumstances. To finance their bespoke green energy solution, Absa customers with a credit card, an Absa mortgage bond or who qualify for a personal loan, can choose to:

1) pay via a credit card for up to 48 months with the first 12 months at prime interest rate,

2) access equity in their home loan, or

3) apply for a personal loan from **R3 000 to R250 000**, depending on customers' individual credit profiles, with repayment periods ranging from 12 to 72 months.

AND BATTERIES

hours. How long the battery back-up lasts depends on what you use it for. Absa says it loosely defines essentials as a couple of efficient lights, a security system, LED/LCD television, decoder, WiFi router and an energy-efficient fridge.

Items such as kettles, hair dryers, washing machines, pumps and any other devices that use motors and/or electrical elements use an immense amount of power. Consumers have to make a choice about what is more essential to them – either running essentials for hours or blow-drying hair for a couple of minutes. ■

HOW **BUSINESS IS COPING** WITH LOAD-SHEDDING

BY LAMEEZ OMARJEE AND BUHLE NDWENI

JOHANNESBURG CITY POWER

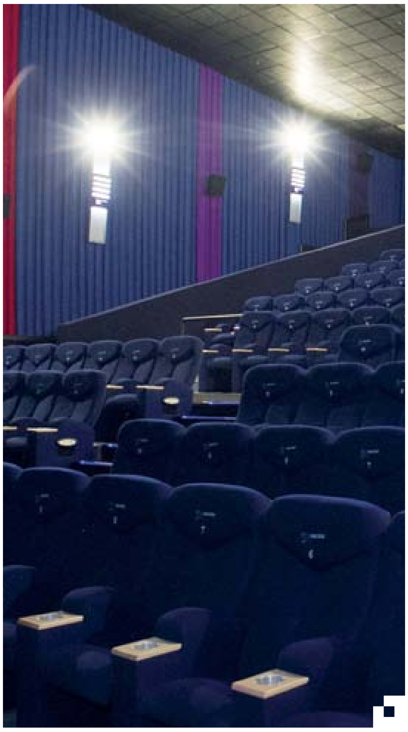
The entity has started installing smart meters at households as part of its strategy to save costs and manage energy usage, especially during peak hours.

A smart meter enables the exchange of data between the utility or municipality and the customer. One advantage is remote meter reading, which means the utility or municipality does not have to incur the cost of sending someone to a property to do a reading or to turn off the power. The utility can also turn off power remotely, says energy expert Chris Yelland.

From a load-shedding perspective, smart meters allow the utility to inform a consumer to reduce their electricity consumption. This could be through warnings to turn off a geyser or swimming pool motor, says Yelland. "Smart meters are just simply a more modern metering device that can also communicate in two directions, from the utility to the meter and vice versa."

Customers benefit in that they can manage their electricity consumption better. The smart meter allows customers to keep track of their usage and budget for it. "With a normal credit meter, you get a bill at the end of the month. You have no idea what it's going to cost you until you get the bill," explains Yelland.

Although smart meters are more expensive than credit and prepaid meters, the cost is covered by the utility. Currently only customers living within the designated roll-out areas qualify for smart meters.



"STER-KINEKOR IS CURRENTLY ASSESSING ITS SITES BUT OBVIOUSLY THE INSTALLATION OF GENERATORS AT ALL 56 OF ITS COMMERCIAL SITES ACROSS SOUTH AFRICA IS AN EXTREMELY COSTLY EXERCISE."

STER-KINEKOR

Operations executive of Ster-Kinekor Theatres, Irshaad Mahomed, says their theatres, like many businesses in SA, are also being impacted by the ongoing load-shedding.

He says where possible they check the load-shedding schedules and cancel screenings that could be affected by the power outages before customers can book their tickets.

"If a screening is underway when the power goes off, Ster-Kinekor will issue re-admission tickets to the affected customers to enable them to return to the cinema to watch the same movie, or another film, on another day," explains Mahomed.

He adds that the decision to install a generator at a particular Ster-Kinekor site is bound by the agreement with the shopping mall in question.

"If a mall is fitted with a generator, in some instances that generator does not generate enough electricity to power the cinema complex. It is an extremely costly exercise to install generators that can generate the amount of power required to run the projectors, cinemas, air con, catering, etc," he states.

"Ster-Kinekor is currently assessing its sites but obviously the installation of generators at all 56 of its commercial sites across South Africa is an extremely costly exercise," he says.

Currently three Ster-Kinekor cinemas are fitted with an uninterruptible power supply (UPS), while eight other sites have generators.

NETCARE

Private hospital group Netcare plans to spend R150m over the next two years to install generators, stockpile diesel and implement other measures to ensure uninterrupted service delivery within its facilities.

Currently, 54 of Netcare's local hospitals have UPS back-up generators that kick in within half a second of an electricity outage. Of these, 28 have a second back-up generator and 21 facilities have 'full island capacity', meaning they could run independent of the grid for a sustained period.

In the near future, 40 hospitals will have a second back-up generator and up to 28 facilities full island capacity. In the event of a national blackout, critically ill patients and emergency patients will be moved to 11 specially equipped Netcare facilities around the country.

TASTE HOLDINGS

Taste Holdings has a national footprint of restaurant chains in the form of both franchises and outlets that the group directly owns. It is the owner of food chains Fish & Chips Co., Zebro's, Maxi's and Domino's Pizza.

CEO of Taste Holdings' Food Division Jay Currie says load-shedding has had a negative impact on sales at their over 500 franchise stores because less than 20% of these have back-up generators.

Taste Holdings' franchise stores have a low setup cost, says Currie, and installing a generator relative to the setup cost of the stores is high. He says all Taste can do is discuss the importance of having a generator with the franchisee and inform them about finance options available for this. But in the end, it is up to the franchisees.

Currie says 80% of restaurants Taste owns directly have back-up generators that switch on automatically when the electricity switches off. He says since their restaurants tend to be in smaller shopping malls or complexes they are able to negotiate with landlords to enable them as tenants to install their own back-up generators. ■

ANOTHER ENERGY ALTERNATIVE: GAS

According to experts, geysers, stoves and fridges use up the most electricity in a household. While solar PV systems and generators are an option, gas may be another alternative you could consider. This will not only help you when there is load-shedding, but also results in less electricity being used when electricity is available.

According to Petrus Shivambu, marketing and CSC manager at Easigas, the most common household appliances people use gas for are gas stoves, geysers, braais and heaters.

Asked how much gas it would take to keep all the above appliances running during load-shedding, he responds: "It's fairly difficult to estimate without the exact usage patterns, however, installation of two 48kg gas cylinders for a house is popular and sufficient."

Depending on where you buy it, this amount of gas could cost you between R2 500 and R3 500 including the gas cylinders. Once the cylinders are empty, most suppliers allow you to return them and get your cylinder deposit back.

While gas is an option, it has been reported that there are shortages in gas supply due to constraints at oil refineries.

"Demand for LP [liquefied petroleum] gas increases during winter months, supply get stretched during this period. If we have planned or unplanned refinery shutdowns, shortages in supply is experienced in the industry. However, Easigas imports LP gas in order to meet its customer requirements and cover the supply shortages," he says.

For safety reasons, it is vital that consumers ensure their gas is installed by the right person. "Buy your gas from an authorised gas dealer – not from 'rogue gas fillers' – your gas installation must be done by an authorised gas installer. Get your gas appliances regularly checked for leaks according to the user manual," Shivambu advises. ■

Gallo Images/iStock

HOW TO SHED THE **LOAD**

BY CLEMENTINE WALLOP IN ABUJA

THIS IS NOT NIGERIA. THIS IS NOT GHANA. THIS IS NOT EGYPT. THERE SHOULD BE PLENTY OF POWER, AND YET HERE YOU ARE, STARING DOWN THE BARREL OF BLACKOUTS THAT MEANS SERIOUS PROBLEMS FOR YOUR BUSINESS AND NO SMALL INCONVENIENCE AT HOME. HERE'S OUR HOW-TO GUIDE ON GETTING THROUGH DARK TIMES.

YOUR SHOPPING LIST:

- A generator: Not a puny, dry-your-hair-in-the-garage number, but a full-on big guns, keep-you-going-all-day job.
- An inverter: Keep the house topped up with just a few hours of electricity from the mains. This is a less popular choice in Nigeria and Ghana where the mains are minimal, but may be a better option in South Africa.
- A surge protector: Because absolutely nothing is worse than getting power back only to find it's blown out your television.
- Torches: Have a designated easy-access cupboard or spot for these so you know where to go when there's an outage.
- Candles: For the vintage vibe, though less useful in the office or with small children around.
- Water supplies: In extreme instances, you may lose water when your power goes. Keep a couple of cooler refills to hand so you can still keep clean – no one likes a smelly colleague and it needn't be you.
- Wet wipes: See above on the smelly colleague.
- Spare battery packs: These are usually compact and hold a whole spare phone battery, so keep two charged at all times to avoid missing important work calls.

YOUR HOME LIFE:

This is the ultimate reason to braai, though you'll have to think laterally about what to cook if your fridge and freezer are down. Go for jacket potatoes and roasted veggies before turning to that chicken that's been slowly defrosting all day during an outage.

Appreciate the digital detox. You know you watch too much television, so use the time instead to exercise, play with your kids, read or play board games.

YOUR WORK LIFE:

Prioritise meetings, calls and appointments carefully so as not to waste time while the power's up.

If you're self-employed, stake out another workspace if you think your home office could be compromised during blackouts. Hotels, serviced offices and coffee shops can provide a good alternative.

MORE TIPS FROM THE *FINWEEK* TEAM:

- Prepare and freeze a few portions of your favourite one-pot dish. When the power goes out, you can easily defrost and reheat these meals on a gas hob and resist the temptation to go out for an expensive, unhealthy meal.
- Keep charged powerbanks around the house.
- Ensure you have a battery-powered light source or candle and matches within reach in every room.
- Keep Kindles and tablets fully charged at all times to have sources of entertainment when the power goes out.
- Ensure all your doors are locked when the power goes out. Many security systems rely on power and don't function during load-shedding.
- Invest in a car charger for your phone and other small electronic devices.
- While this is maybe not a very practicable suggestion, move near a national key point or certain hospitals. A select few neighbourhoods across the country seem to be immune to load-shedding.
- Make friends in suburbs on a different load-shedding schedule (or the abovementioned ones) so you can pop over for dinner and WiFi if need be.
- Camping stoves and lights, as well as hot water flasks, offer a cheap back-up plan for short periods without power.
- Make sure you always have one ironed work shirt ready! ■

editorial@finweek.co.za

Gallo Images/iStock

Growing the listed **residential property** pot

BY GLENDA WILLIAMS

It's the first focused residential property fund to be listed on the JSE. And investors, previously unsure about a focused residential listing, are now exhibiting positive sentiment to the floating of the fund. "The institutional shareholder base is very supportive of the move and response has been positive," says Imraan Suleman, financial director of Arrowhead Properties and executive director of Indluplace Properties.

Indluplace (*indlu* is the Zulu word for house) is the separate residential property portfolio from parent group Arrowhead Properties, listing on 19 June. The private placement of 40m shares will raise approximately R400m at an indicative issue price of R10 per share. Arrowhead currently has around 15% exposure to the residential market through Indluplace of which it is a 70% shareholder.

It was courtesy of a REIT conference in Chicago that the residential sector and the listing of a separate residential fund appeared on Arrowhead's radar. Today it brings about the listing of Indluplace Properties, a residential property fund with a portfolio of 95 properties and over 3 600 individual units valued at R1.6bn. It's a portfolio that Suleman says they aim to double to R3bn a year from now.

"Indluplace is focused on owning and growing a substantial residential property portfolio from which it will pay growing distributions to its shareholders. Listed residential property comprises less than 2% of South Africa's listed property market, compared to over 13% in developed economies. We believe there is opportunity for significant growth in this sector," says Suleman.

Opportunity and focus for Indluplace is the affordable housing market. The portfolio is made up primarily of affordable properties, mostly multi-tenanted buildings or townhouses, some of them housing 450 individual families, like the fund's fully let complex in eMalahleni.

OPPORTUNITY AND FOCUS FOR INDLUPLACE IS THE **AFFORDABLE** HOUSING MARKET.

"Risk fundamentals on residential, in our view, are a lot lower than commercial and in the affordable, entry-level of the market, demand outstrips supply. Vacancies across residential portfolios are less than 3%, and arrears and bad debts are generally a lot lower than commercial. The only big challenge is that residential is more management intensive than the commercial side," says Suleman.

Imraan Suleman

Eighty-two percent of the portfolio is located in Gauteng. Student properties only make up 10% of the portfolio, the bulk consisting of properties for individuals and families. Rentals range from R1 000 for a room up to around R6 500 for a three-bedroomed apartment with the average rental cost, excluding the student market, around R4 000 per unit.

Indluplace plans to grow its portfolio aggressively by staying within South Africa's borders. If an acquisition opportunity meets its criteria and provided Indluplace has adequate property management in place, Suleman says it would be one the company would pursue. The group aims to position itself as an exit for developers or owners of residential stock or portfolios.

Investment will generally be in larger urban centres close to work opportunities and transport infrastructure where there is a shortage of affordable housing and where good demand exists for affordable student accommodation.

Suleman believes the listing of a separate residential fund will also benefit those investors who don't want exposure to commercial assets. "The asset class should trade at a lower yield than commercial property but as investors get to know the asset class, we believe yield will follow," says Suleman.

The yield is expected to trade at about 8%. ■

editorial@finweek.co.za

How diversifying is working for the **sugar industry**

BY BUHLE NDWENI

Dirk van Vlaanderen

The sugar-producing business is cyclical by nature, as illustrated by the impact of a drought on the recent results from Tongaat Hulett and Illovo Sugar, the giants of the local industry.

Both companies have worked hard in recent years to diversify their businesses, including into downstream operations such as ethanol and furfural production, electricity co-generation and, in the case of Tongaat, starch operations and property development.

They have also diversified geographically. Tongaat, with a market capitalisation of R17.5bn, has operations in Swaziland, Mozambique and Zimbabwe. Its smaller rival Illovo, with a market capitalisation of R8.1bn, has operations in Malawi, Zambia, South Africa, Tanzania, Swaziland and Mozambique.

Illovo sees itself as "more than just a sugar company" and downstream operations contributed 16% to profit in 2015, says Dirk van Vlaanderen, investment analyst at Kagiso Asset Management. "They have a target to increase this to 20% medium term, having successfully commissioned an ethanol distillery in Tanzania in 2014, and have plans for a similar project in Zambia and a furfural plant in Swaziland. We believe this will add a bit more stability to the earnings profile of the group once completed."

Tongaat's land development projects and starch operation already contribute the bulk of its profits (63% of operating profit in the year to end March). Overall, the group reported a 14.6% decrease in headline earnings to R945m in the latest financial year, in part due to the impact of the drought. Illovo saw its headline earnings per share decline by 7.7%.

DIFFERING COMPETITIVE ADVANTAGES

Mark Saner, analyst at Imara SP Reid, says although both companies remain

primarily focused on sugar, Tongaat has a more diversified earnings stream with a significant portion of revenue and profits accruing from its starch and land development divisions, which has led to property developments on Tongaat's former sugar cane plantations in KwaZulu-Natal (KZN).

Illovo, on the other hand, offers a better geographical spread of revenue with the majority of earnings emanating from its Malawian and Zambian operations. SA sugar operations contribute just 13% to Illovo's overall operating profit, says Saner.

"Illovo's African footprint is a competitive advantage and a unique way to play the strong structural demand for sugar in Africa, while Tongaat's more diversified product mix leaves the company less exposed to the cyclical sugar industry and the land assets are likely to be a material driver of shareholder value medium term," says Van Vlaanderen.

OVERSUPPLY

In addition to drought conditions, local producers have been affected by a global oversupply for the past five years, which has resulted in the build-up of significant sugar inventories, says Van Vlaanderen. "This has not only depressed world sugar prices, but has also resulted in a large amount of sugar effectively being 'dumped' into several African countries, including SA."

In August, import tariffs were imposed in SA to curtail the import of cheaper sugar, Van Vlaanderen says, but other African countries have not done the same, placing their local industries under significant pricing pressure.

In addition, a weak Brazilian real – Brazil contributes nearly half of global sugar exports – subsidies in India and a low oil price have further placed local producers under pressure. The depreciation of the real against the US dollar, for example, has meant an effective reduction in the dollar cost of production, which has weighed heavily on the world sugar price, he says.

Both Tongaat and Illovo have in the past benefitted significantly from preferential trade agreements that allow them to sell sugar into the EU at prices above the world sugar price, Van Vlaanderen says. They sell about 20% of their production in the EU.

Sugar cane is loaded onto trucks

Sugar cane fields in KwaZulu-Natal

Cut sugar cane

AGRICULTURAL BUSINESSES LIKE TONGAAT HULETT AND ILLOVO SUGAR ARE OFTEN CHALLENGED WITH THE EFFECTS NATURAL ELEMENTS SUCH AS DROUGHT HAVE ON THEIR SUGAR CANE CROP YIELD AND EFFECTIVELY THEIR BOTTOM LINE. IN ORDER TO DEAL WITH THIS, THEY HAVE FOUND WAYS TO DIVERSIFY THEIR RISK.

However, the EU is changing its sugar regime and plans to significantly increase local production. Prices for refined sugar have fallen from over €700 a ton only two years ago to below €400 per ton.

OUTLOOK

Another tough year lies ahead. Saner says, "[South African] production will be negatively impacted by the drought in the KZN region, and the impact of euro and Brazilian real weakness on export proceeds will also harm earnings."

Van Vlaanderen says in the medium term, both companies are working hard to divert sales away from the lower-priced EU and world markets into the higher-priced African markets where the long-term demand profile remains appealing.

Government regulations (such as import duties), geographic and infrastructure barriers to physically transport the sugar into the regions gives Illovo a strong competitive advantage to benefit from the strong demand for sugar in Africa. "Thus we believe the long-term demand equation augurs well for companies with good market positions in these regions. The big short-term headwind is the current pricing pressure," says Van Vlaanderen.

Saner says from a medium-term perspective, the fundamentals support an increase in the world sugar price. "Global sugar demand continues to grow at around 2% per annum and both companies operate in areas where sugar consumption is expected to increase significantly in the years ahead," explains Saner.

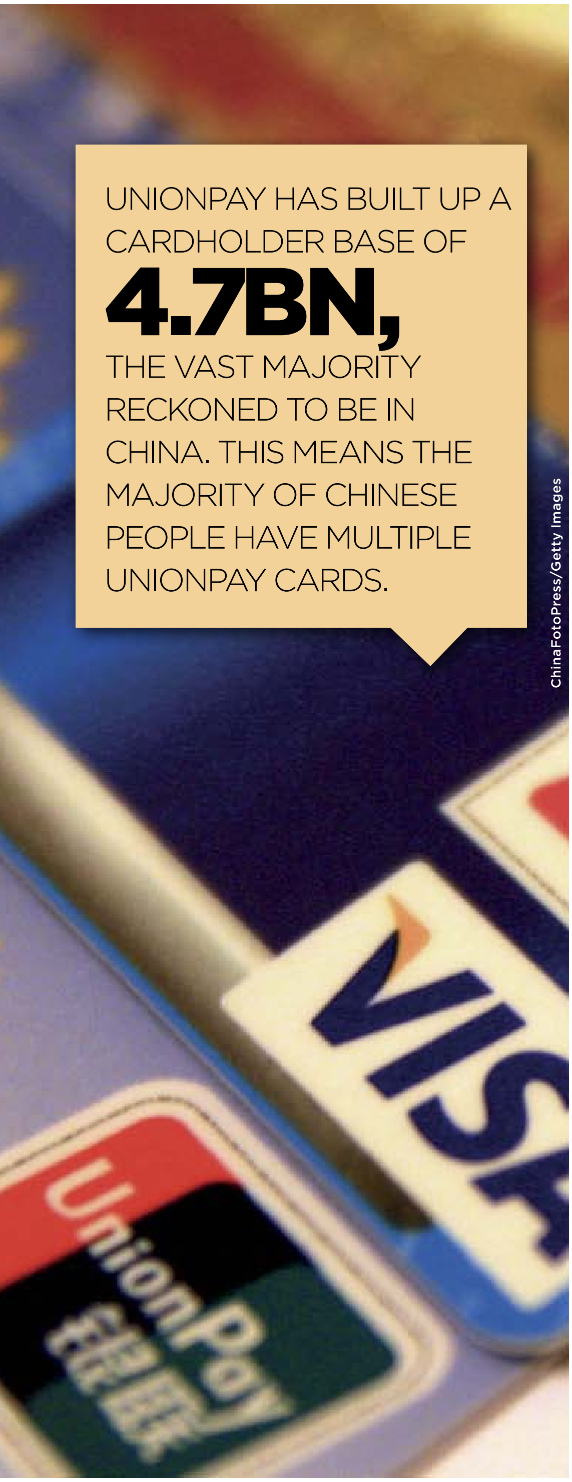
"Tongaat Hulett, with its more diverse earnings stream, remains our preferred pick in the sector, despite the challenging conditions facing the industry overall," he adds. ■

editorial@finweek.co.za

The world's largest **card payment company...**

...you've probably never heard of

BY CIARAN RYAN



ChinaFotoPress/Getty Images

UNIONPAY HAS BUILT UP A CARDHOLDER BASE OF **4.7BN,** THE VAST MAJORITY RECKONED TO BE IN CHINA. THIS MEANS THE MAJORITY OF CHINESE PEOPLE HAVE MULTIPLE UNIONPAY CARDS.

UnionPay is the world's largest card payment company with 4.7bn cards in issue and a presence in 150 countries. This makes its card base bigger than Visa and MasterCard combined.

Chances are you may not have heard of UnionPay because the China-based card issuer is a relative newcomer to Africa. It has maintained a relatively low-key presence in South Africa until now, servicing the estimated 100 000 UnionPay cardholders either working or residing in the country. Plus, there are a further 14 000 visitors from China to SA each month, most of whom would be UnionPay card carriers.

The company first set foot in SA in 2008 when it signed FNB as the first local bank to accept its cards. In 2010, Standard Bank joined the fold. The others are expected to join soon.

"We are in the happy position of having the banks approach us to partner with us," says Herman Botes, UnionPay International's regional head for business development.

Why has the company been so low-key until now?

Says Botes: "The initial strategy was to roll out the network of UnionPay card-accepting banks, which has been going very smoothly. This is not something you do overnight. There are formidable technical, commercial and compliance obstacles that have to be overcome, but obviously we want to get all SA banks to accept our UnionPay cards and we are doing this as fast as we can.

"Since 2008 we have established a presence in 44 African countries, and we have started issuing cards to the retail market in Democratic Republic of Congo and Mauritius. We plan to start issuing cards in each of the countries where we currently have a presence."

At present, UnionPay cardholders can transact at ATMs and point-of-sale (POS) terminals. The next step is to allow cardholders to transact online, which Botes says should be available by the end of the year.

Now the focus is on building UnionPay's non-Chinese cardholder base. Astonishingly, UnionPay has built up a cardholder base of 4.7bn, the vast majority of them reckoned to be in China, with a population of 1.4bn. This means the majority of Chinese people have multiple UnionPay cards, which allows them to take advantage of special offers and discounts made available by different issuing banks.

Botes explains that UnionPay as a card payment association does not manage the relationship between the bank and the cardholder. It is up to the individual banks to issue the cards, and deliver service to cardholders in much the same way as local SA banks will issue cards to customers on behalf of Visa and MasterCard.

With a cardholder base of 4.7bn, this is a tantalising market for local merchants, banks and airlines, most of which appear more than willing to join the UnionPay family.

"This is undoubtedly our biggest attraction to local banks and vendors, since we can offer them targeted marketing campaigns at our different levels of cardholder. If you are involved in tourism, entertainment or the jewellery trade – which is where most Chinese visitors spend their money – you would definitely want to get involved with us as a partner," says Botes.

UnionPay will also be able to offer special deals and discounts to African cardholders visiting the East.

Botes says the attitude of central bankers and regulators to UnionPay's

arrival is universally welcoming.

"They like the idea of competition in the card space, and we are seen as a third major competitor to Visa and MasterCard."

UnionPay differs from its competitors in several key aspects: it is member-owned, which allows its partners a say in the running of the business and a share in the profits. Another key attraction for local partners is the low set-up costs to become a UnionPay member.

UnionPay is the second-largest card company in the world in terms of transaction volumes behind Visa. In SA, transaction volumes have grown 40% each year since 2009 and Botes is confident this rate of growth can be maintained for the foreseeable future.

In the next few months the company will be opening representative offices in Ghana, Morocco, Mauritius and Kenya.

Unlike more developed markets, Africa is largely cash-driven. Studies suggest that for every POS transaction in Africa, there are more than 25 cash transactions. Botes sees this as a huge opportunity: "Obviously, our goal is to move customers from cash to cards as a means of transacting. This is already happening to some extent, but the more cards there are in issue, and the more vendors and banks that sign up as partners, the easier our job becomes."

A recent study by InterContinental Hotels (ICH) and Oxford University found that SA ranks as one of the top countries in the world for spending by Chinese travellers. The number of Chinese travellers to SA grew 122% to 151 000 over the three years to 2013. The ICH study suggests Chinese visitors to SA will spend $1.5bn (R18.6bn) by 2017, and possibly $1.8bn (R22.31bn) if travel policies between the two countries improve.

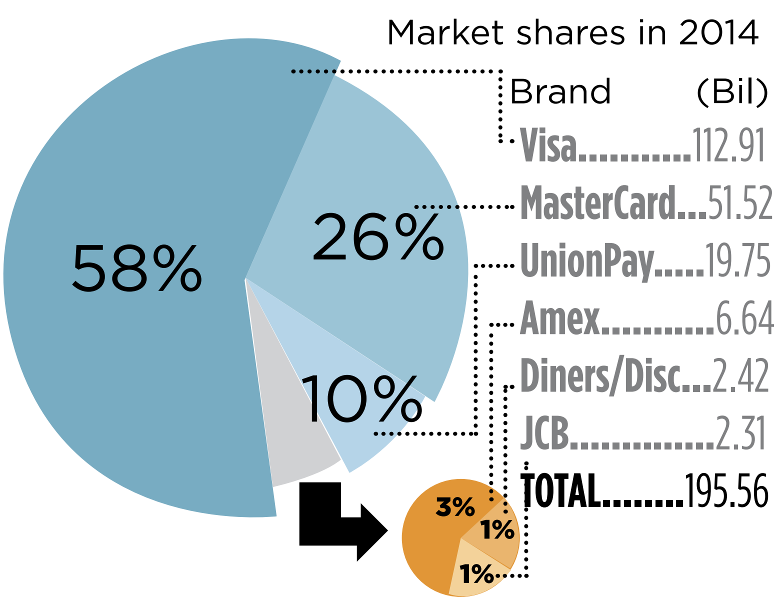
Chances are, you are going to hear a lot more about UnionPay in the weeks and months to come. With a population of close to 1bn in Africa – most of whom have never heard of UnionPay – there is no time for them to rest. ■

editorial@finweek.co.za

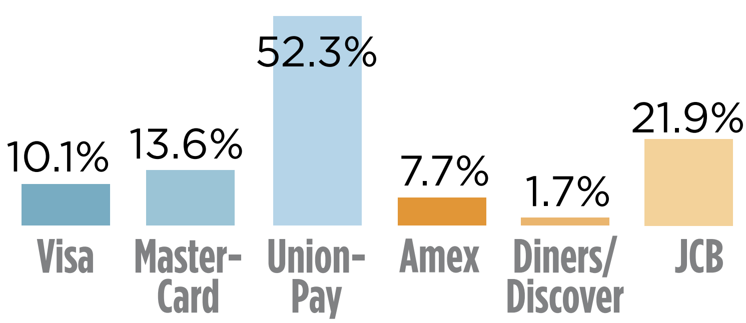
THE ICH STUDY SUGGESTS CHINESE VISITORS TO SA WILL SPEND **$1.5BN** (R18.6BN) BY 2017, AND POSSIBLY **$1.8BN** (R22.31BN) IF TRAVEL POLICIES BETWEEN THE TWO COUNTRIES IMPROVE.


Gallo Images/iStock

PURCHASE TRANSACTIONS WORLDWIDE



GROWTH IN 2014 VS 2013



SOURCE: *The Nilson Report*

Africa's 'future will not take care of itself'

BY LIESL PEYPER

Africa is a continent of contrasts and contradictions that evokes a range of sentiments from investors, the recent World Economic Forum on Africa and other barometers show.

Ajen Sita

The 25th World Economic Forum (WEF) on Africa, hosted in Cape Town in the first week of June, was a low-key affair compared to other years. Only Egypt's president Abdel Fattah El-Sisi and our own president Jacob Zuma graced the event, compared to more than 12 heads of state at last year's event in Nigeria and nine in 2013 in Cape Town.

Some media reports ascribed the low turnout of presidents and prime ministers to the fact that the African Union (AU) summit was taking place only a week later in Johannesburg. Or could it be that Africa's star is waning?

It's all a matter of perspective, said Ajen Sita, chief executive of EY Africa, at the launch of the company's *Africa Attractiveness Survey*. EY released its report, which measures the continent's appeal among more than 500 business leaders from 30 countries, in conjunction with the recent WEF.

"Five years on since the first survey, economic growth on the continent is likely to be at its lowest since 2010, while foreign direct investment (FDI) projects are lower and investor sentiment has softened somewhat," Sita said.

Nevertheless, EY believes there are ample reasons to be optimistic, one of which is that growth in Sub-Saharan Africa's economy is expected to be around 5% in 2015. "This mixed picture is not surprising," Sita said. "It reflects the diversity and complexity of this great continent – there is never a one-size-fits-all answer and perspective remains important."

AFRICAN LEADERS, TAKE NOTE

EY has a word of caution to Africa's leaders, though. The continent's future will not take care of itself. In fact, Africa is at a turning point and low productivity, political instability and infrastructure shortages should be addressed urgently to ensure continued and sustained growth.

This year's survey shows that investor perceptions of Africa have reached their lowest level since 2011, while investor confidence about future investment attractiveness has also dipped.

"It's important not to overstate the deterioration in the perceptions of Africa's attractiveness," Sita said. He ascribes this year's more pessimistic results to an increase in political and economic uncertainty across Africa, most notably the Ebola crisis in West Africa, political conflict in places like Burkina Faso, South Sudan and the Central African Republic, terror attacks in Nigeria and Kenya and labour unrest in South Africa.

CAUSES FOR CONCERN

RESPONDENTS ARE MOSTLY WORRIED ABOUT:

- Unstable political environments (55%)
- Corruption (26%)
- Weak security (22%)
- Poor basic infrastructure (14%)
- Lack of highly skilled labour (13%)
- Inconsistency and lack of transparency in regulatory policy (10%)
- Unattractive tax policies and financial incentives (7%)

Africa can address these shortcomings by focusing on shared value, fostering and encouraging entrepreneurship, working together as a region, starting – and completing – infrastructure projects, and forming public-private partnerships.

(LACK OF) INFRASTRUCTURE

Africa's success as an investment destination is highly dependent on infrastructure, Klaus Findt, head of infrastructure in Africa at KPMG, wrote in a paper prepared for the WEF on Africa. He estimated that it will cost some $300bn (R3.7tr) for all of Sub-Saharan Africa to have access to electricity in the

next 15 years. "Currently we are at 25%."

It doesn't help that aging power infrastructure plagues the region. The situation is exacerbated by low maintenance of current energy-generating assets, loss-making power utilities because of low collection rates, poor planning and management capacity.

But it's difficult to source adequate funding, says Findt. He advises Sub-Saharan countries to consider joint ventures between the private and public sectors – initiatives that have already proven successful in countries such as Morocco, Kenya, Tanzania, Uganda, Ghana and Senegal.

However, electricity is not Africa's only infrastructure headache. In cases where infrastructure projects do get off the ground they are often not seen through, due to a lack of finance, skills shortages and weaknesses in project governance, says Benji Coetzee, Project Manager: Africa Strategic Infrastructure Initiative.

In an article published on the WEF on Africa website she mentions a "paradox" when it comes to financing infrastructure projects in Africa: "[There's] plenty of private sector interest but few project-preparation skills to turn prospects into a bankable state."

EY reiterates this deficiency in its report and says Africa needs to remove barriers to project completion, fast.

RISING AND WANING STARS

The most recent *Africa Attractiveness Survey* showed a strong resurgence of FDI into North Africa since the Arab Spring in 2011 with Morocco and Egypt as the biggest winners.

On the other hand there has been a decline of FDI in the "hub economies" of Nigeria, Ghana, Kenya, Angola and South Africa, although the latter is still the top destination for foreign investment with 121 FDI projects.

As for the rest of Sub-Saharan Africa, investment inflows into Mozambique and Ethiopia have been on the up in the past year. With its rich natural gas deposits Mozambique has become the fifth-largest recipient of FDI projects in Africa, notably from Portugal and Belgium.

Another rising star is Ethiopia, which is currently Africa's fastest-growing economy and has the continent's second-largest population. The country attracts consumer products and retail opportunities, while its government is looking to receive funding for the ambitious Grand Ethiopian Renaissance Dam on the Nile.

MEANWHILE BACK HOME

As host country to this year's WEF, South Africa has gone out of its way to reassure delegates and investors that we are indeed open for business amid recent xenophobic attacks on foreign nationals and our controversial new visa regulations.

At a briefing ahead of the WEF, minister in the presidency Jeff Radebe said government was urgently reviewing the visa regulations, according to IOL. "We are looking at all issues that have been raised pertaining the visa regulations," Radebe reportedly said, acknowledging that the new regulations had "unintended consequences".

The tourism industry is one of the sectors that has been taking a battering after the new immigration policy was implemented and tourists from India and China were said to have cancelled intended visits to SA.

New draft visa regulations are due during the month of July, Radebe said.

INVESTOR PERCEPTIONS OF AFRICA HAS REACHED ITS LOWEST LEVEL SINCE 2011

Photo: World Economic Forum

WEF AFRICA: WHAT DID IT ALL MEAN?

BY PAUL CLARK, PORTFOLIO MANAGER AND AFRICA SPECIALIST AT ASHBURTON INVESTMENTS

So, in a whirlwind of open forums, workshops, meetings, networking and a cultural soirée, the WEF on Africa 2015 is over for another year. You may well ask what it achieved.

Despite its strong economic growth, improving business environment and better politics, many Africa observers still see the glass half empty as they feel that the challenges that the continent faces outweigh the benefits and will ultimately overwhelm its citizens. What I observed at the forum was a very sincere effort to find solutions, and particularly uniquely African solutions, to overcome these challenges and thereby create opportunities.

As we all know, Africa needs spending on infrastructure to enable it to continue to grow. Today this does not only mean railways, harbours and roads – ICT infrastructure is also a key component of a country's infrastructure. The energy sector and particularly electricity remains a challenge in almost all the countries on the continent.

At the forum, a senior ICT executive said that good access to broadband can raise GDP growth by one percentage point. Gordon Brown, former UK prime minister and currently chairman of the WEF Global Strategic Infrastructure Initiative, said that the continent's growth could be increased by two percentage points with the right infrastructure. We would then be talking about 8% GDP growth for the continent as a whole!

Many participants mention that better planning by governments and better implementation of existing plans and legislation is required. President Zuma said that there is enormous political will across the continent to coordinate and implement regional projects. He used a political example of how the African Union has focused on dealing with *coups d'état* on the continent, which has reduced them significantly, to illustrate what can be achieved.

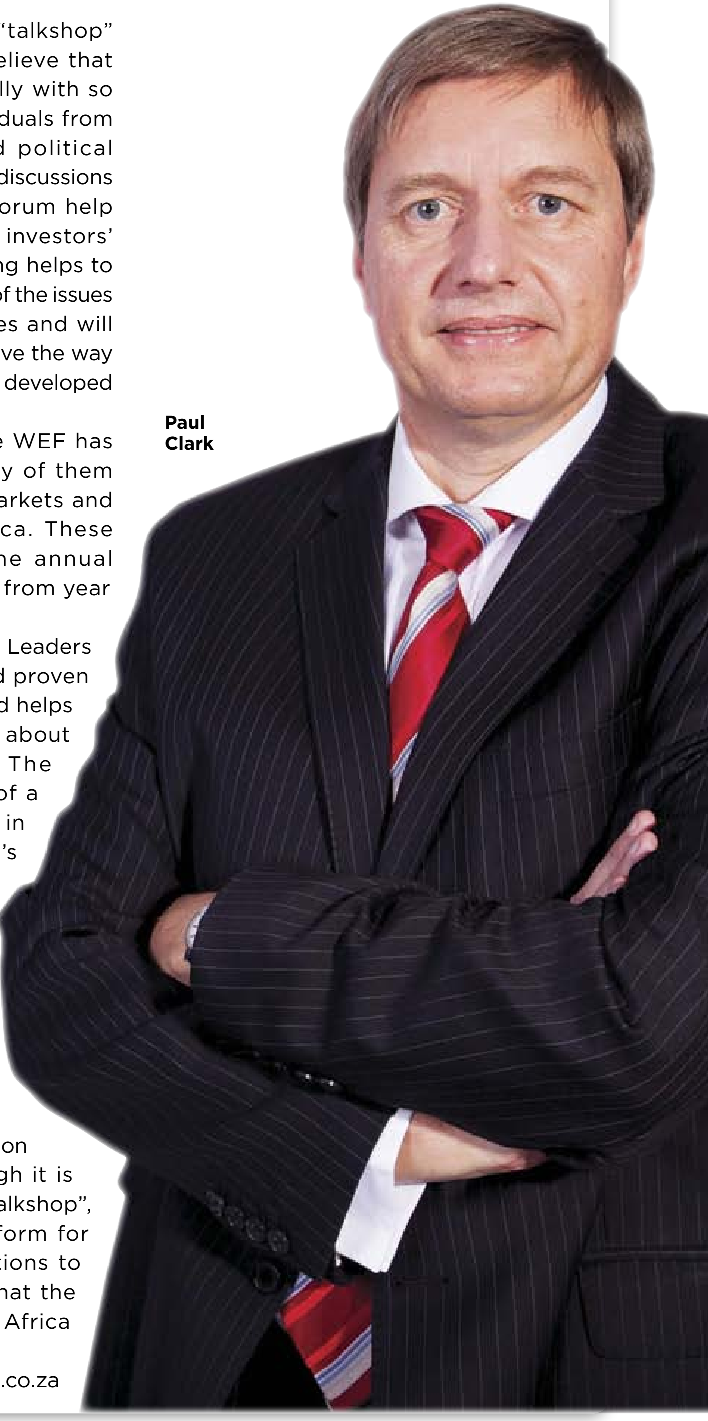
So is the forum just a "talkshop" as many people feel? I believe that the talking helps, especially with so many high-powered individuals from across the business and political spectrum. As Zuma put it, "discussions at the World Economic Forum help governments understand investors' concerns first hand". Talking helps to improve the understanding of the issues from different perspectives and will ultimately add to and improve the way policies and investments are developed in the future.

On the other hand, the WEF has 61 specific projects, many of them focused on developing markets and areas of interest to Africa. These run independently of the annual conferences and continue from year to year.

The WEF's Young Global Leaders Network brings tested and proven young leaders together and helps them collaborate to bring about and empower change. The thoughts and outcomes of a workshop that I took part in on "Leapfrogging to Africa's Digital Future" are shared via the WEF's "Mapping Global Transformations" hub and this is a live repository for these ideas from global contributors.

So, in summary, I believe that the WEF on Africa is an important cog in the engine of transformation for the continent. Although it is about networking and a "talkshop", it provides a unique platform for the development of solutions to the complex challenges that the developing economies of Africa face. ■

editorial@finweek.co.za



Paul Clark

SA women making it big in tech

BY JESSICA HUBBARD

Much has been written about the dearth of women in technology-related fields and industries. The roles of coders, engineers, product designers, software developers and yes, CEOs, are usually associated with titles preceded by 'Mr'. Yet there are undoubtedly many women doing great things in tech in South Africa, carving out their own paths and creating cool stuff along the way.

Finweek caught up with a few of SA's dynamic female techies and digital pioneers to find out more.

"THE KEY INGREDIENT IS OBVIOUSLY PEOPLE. YOU NEED TO SURROUND YOURSELF WITH PEOPLE WHO HAVE A SIMILAR MINDSET, WHO ARE INQUISITIVE, OFF THE BEATEN PATH..."

ANNETTE MULLER: ENABLING THE 'CORPORATES OF THE FUTURE'

Annette Muller is the founder and CEO of DOTNXT, an African innovation management firm. Last year, she was recognised by *Forbes* as one of the '10 female tech founders to watch in Africa'.

As Muller puts it, she is intent on "building the corporate of the future", and spends her time helping companies to weave innovation into their daily reality. She founded DOTNXT in 2011, and says the company has evolved from being a consulting firm to offering research and strategic advisory, technology execution management and SA's first Sector Education and Training Authority (SETA) accredited Innovation Management corporate training course.

"We saw a gap [in companies] between strategy and execution, and began to offer more hands-on, strategic programme management," she explains. "We try to avoid the old-school 'PowerPoint' way of doing things, and focus on agile delivery, providing always-on, live mission management and innovative strategic tools. We are always breaking the traditional corporate rules!"

In Muller's world, she says the only constant is that they're continually "doing stuff that's never been done before... so there is no right formula, just challenges, and we love solving complex challenges".

To stay inspired, and keep fuelling the innovation that she believes is so essential to business success, Muller admits that it takes "a lot of imagination".

"I watch a lot of science-fiction movies," she says. "But the key ingredient is obviously people. You need to surround yourself with people who have a similar mindset, who are inquisitive, off the beaten path."

She adds: "We are running the corporate of the future – constantly trying to create, educate and improve – so you need to ensure you have inspired, practical and smart innovators around you."

"BEING AN ENTREPRENEUR IS BY NO MEANS THE SAFEST OR EASIEST CAREER CHOICE, BUT WE DO IT BECAUSE WE ARE FRUSTRATED WITH THE STATUS QUO [...] WE THINK WE CAN MAKE/DO SOMETHING BETTER."

CATHERINE LÜCKHOFF: PROVING THE VALUE OF NICHE

Catherine Lückhoff is the founder and CEO of NicheStreem, which she describes as a company that "builds specialist music streaming services for passionate fans of niche music". Fuelled by a love for mobile commerce, music, and the ways in which these worlds are beginning to intersect, Lückhoff's impressive career has been shaped by her pursuit of 'niche' – recognising value and potential where others have not.

In addition to driving NicheStreem, which will launch its first stream, Liedjie.com – aimed at the Afrikaans market – in September 2015, Lückhoff also leads strategy for HQ Africa. HQ Africa is a business development and strategy consultancy, which over the past 18 months has worked with companies such as Naspers-owned PriceCheck.co.za, WeChat and 24.com, as well as Mozilla FireFox and The Dating Lab.

As an entrepreneur, Lückhoff says that a general frustration is "the fact that as entrepreneurs we spend a great deal of time explaining what we do and being told how high risk our industry is".

"No one ever asks a doctor or a lawyer to validate their career choice or explain how they will change the world," she says. "Being an entrepreneur is by no means the safest or easiest career choice, but we do it because we are frustrated with the status quo, truth be told, we think we can make/do something better. It's risky and hard work, but it truly is worth it."

Looking ahead, Lückhoff says that her goal, first and foremost, is to make money.

"Ideally I would like to prove my assumptions about the value of niche markets right," she explains. "Once we – this is a team effort – have done that, I believe there is a good chance we will be acquired by an international player. In my personal capacity I would like to invest a share of that money into new start-ups. There are so many amazing ideas and teams out there and it would be great to be in a position to enable them to build epic sh*t in the way our angels have enabled us."

KIM HUMBY: USING TECH TO TRANSFORM

Kim Humby is the commercial operations manager at Nomanini, a South African-based technology provider that facilitates cash payments in informal markets. Since joining Nomanini in November 2011, Humby has played a key role in developing and managing Nomanini's operations, recruiting, marketing and PR. Her love for technology is closely intertwined with a quest to solve social problems, and drive positive change in communities.

"What I love most [about technology] is that the majority of people and organisations are using technology to solve humanitarian issues," she explains. "At Nomanini, we build technology that creates wider access to essential services like electricity, water and financial inclusion to people living on less than $2 a day... I love that through our technology we have the power to transform these people's lives and ultimately reduce the number of people living in poverty. This is what gets me up every morning and I consider myself very fortunate to be able to marry my passion for technology and people every day."

As someone who didn't study anything vaguely tech related, Humby says that her current role as operations manager is 'particularly challenging' as it necessitates a deeper understanding of all the technology, designing and production processes.

"In general, many women are at a disadvantage when they come into the industry – or at least the ones like me, who didn't get a technology-related degree like computer science or engineering," she explains.

"When I started at Nomanini, the only other woman was our one person sales team – the rest of the company was the development team – all male engineers and coders. Coming from a communications and branding background, at first, I had a difficult time keeping up with tech trends and language used by the guys. It's a pretty daunting skill gap, but I've found that the key to closing the gap is simply being willing and making the effort to learn as you go!"

KIRSTY SHARMAN:
DOYEN OF ALL THINGS DIGITAL

Kirsty Sharman is the South African Franchise CEO at Webfluential, a global platform that connects 'influencers' with brands and agencies to promote campaigns. She leads the agency's local team, dividing her time between new business, operations and marketing.

"Because influencer marketing is in its infancy in Africa, most of our time is spent educating clients on how and why to use social influencers," she explains.

So what drives this young dynamo of all things digital? As Sharman puts it, she has always been "completely fascinated by the internet and all the things it allowed [her] to do from [her] living room".

"The thing I love the most about working in digital is that every day I feel like we're moving forward at a rapid rate," she explains. "We work in an industry where innovation has become the norm… I've always been drawn to digital because there is so much information and knowledge available online – most of my skills are self-taught using tutorials, forums and YouTube. Some people credit their careers to the university of life… I'm just grateful for Google!"

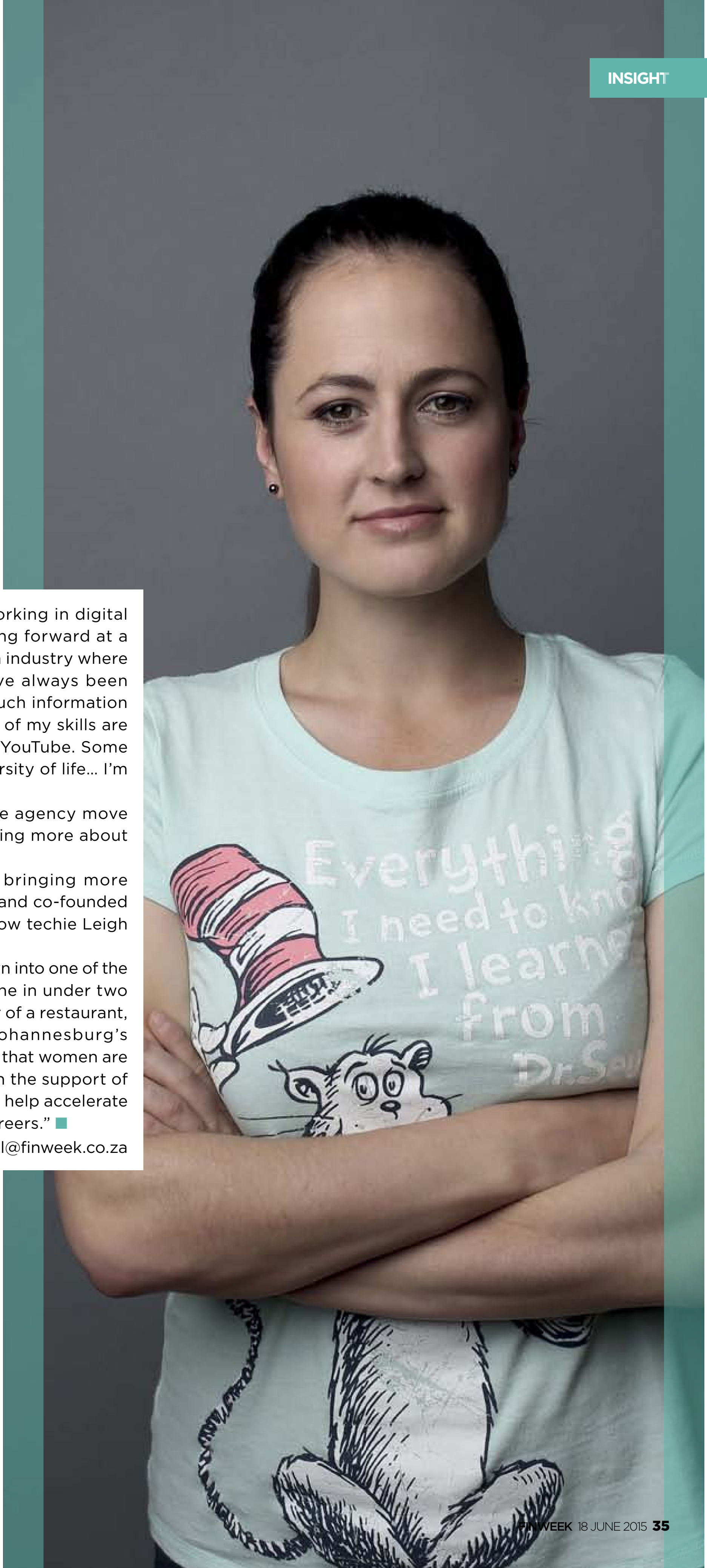
She says the next step is to help the agency move into new markets, with her role becoming more about innovation and product development.

Sharman is also passionate about bringing more women into the digital and tech space, and co-founded the beloved Girl Geek Dinners with fellow techie Leigh Fowle.

"The Girl Geek Dinners event has grown into one of the highlights of the social networking scene in under two years – from a small dinner in the corner of a restaurant, to a community of over 1 000 of Johannesburg's smartest women," she says. "This shows that women are interested in technology fields, and with the support of corporates and industry leaders, we can help accelerate these women into technology based careers." ■

editorial@finweek.co.za

"THE THING I LOVE THE MOST ABOUT WORKING IN DIGITAL IS THAT EVERY DAY I FEEL LIKE WE'RE MOVING FORWARD AT A RAPID RATE.



Business acumen for artists

BY MANDY DE WAAL

Dave Duarte is no fan of the 'starving artist' archetype. The CEO of learning and teaching company Treeshake and Young Global Leader of the World Economic Forum believes "the story of the struggling artist has gone on long enough".

"We don't treat the artistic and creative disciplines with the same current economic respect as we do so many other disciplines, and yet artists can be just as impactful and transformative as entrepreneurs and businesses – if not more so," says Duarte, who together with Elaine Rumboll, MD of The Creative Leadership Consultancy, teaches artists how to reject the myth of the 'starving artist' by becoming successful creators and makers. Both Duarte and Rumboll are faculty members of the UCT Graduate School of Business.

"Each year we get about 30 to 40 artists from a range of different disciplines – sculpture and fine art to graphic design and product design and video or writing or comedy. People with a diverse range of disciplines come together to learn the basic business skills that aren't taught," Duarte says. "This problem was identified by Elaine as critically important because fundamentally, practicing artists are creative entrepreneurs – they enter the business market and have to fend for themselves.

"We're disrupting the 'starving artist' myth by dealing with misconceptions that are deeply ingrained in the culture of arts. One of these fantasies is that being commercially oriented undermines the integrity of one's work. Myths like these are deeply held misconceptions that are perhaps even taught at art and/or design schools and become criticisms of art or artists. Culturally artists who are commercially successful can be seen as sell-outs or lacking integrity, which is nonsense," he adds.

"At times, my studio is so chaotic that I need to clear a 12 x 12 cm space on my desk amidst the pile of papers, paints, plants and figurines just to be able to work," says Lorraine Loots.

> YOU NEED THAT **CREATIVITY** TO DRIVE ANY INNOVATION. WITHOUT ARTISTS, INNOVATION CANNOT HAPPEN.

Dave Duarte

Duarte – who serves on Endeavor's Venture Corps and in so doing helps the organisation achieve its goal of supporting high-impact entrepreneurs across the world – explains that it doesn't make sense for society to enable athletes or lawyers or accountants to be professional while expecting artists to suffer and starve. "We are 'conscientising' and changing the creative space by showing people how making money is not the opposite of doing good art," he says.

ANTS BECOME A GIANT SUCCESS

One of the success stories born from 'Business Acumen for Artists' is Lorraine Loots and her 365 Postcards for Ants. Loots's creative project started on 1 January 2013, and involved creating a miniature painting every single day for


The challenge? Create a miniature painting every single day for an entire year.

Lorraine Loots


Lorraine Loots

the entire year. At the time of conceiving her project, Loots was about to get a 'real job' as a production manager.

"I guess I have always wanted to find a way to document things," Loots says in an online documentary about her work. "This just gives me a way to make a mark on each day." The work is incredible in its detail and beautiful accuracy.

"365 postcards for Ants grew out of Lorraine's talent, and her curiosity to do small paintings. She was at the brink of giving up on her work when she started the course. This project was about committing to her art one last time," says Duarte. Through a meditation of daily discipline and artistic detail, Loots connected with Cape Town and the world by opening up her art to collaboration and by taking requests about what she should draw.

Her path was documented using the mobile photo-sharing site Instagram, and the microblogging site Tumblr. Today Loots has over 175 000 followers on Instagram, and each new post on Tumblr attracts hundreds of comments. Her creative works for 2013 and 2014 were entirely sold out.

"Initially, I thought of the project as a massive challenge, like a marathon or something I would be relieved to have survived. And it really was. But it also became this meditative time; a quiet and almost sacred part of each day," Loots writes in an email to *Finweek*. "As the days went by and the end came closer, I got sadder and sadder thinking that I'd have to stop. And then I remembered – or realised, rather – that the project was mine, that I was the one who had made it all up in the first place and if I wanted to keep doing it, I could. And so I did."

Loots will be exhibiting a collection of artist's proof prints of both projects – 2013 and 2014 – at Three Kings Studio in Brooklyn, New York in mid-July.

TURNING 'HUNTERS' INTO 'FARMERS'

"The first thing that artists need to realise is that as an artist you are a creative entrepreneur essentially, and that what you want to do is to create financial constancy for yourself so you can focus on your work at the very least," says Duarte, adding that artists need to create platforms for their business that enable scale.

What are the first things all artists, makers and creators need to learn? "Things like cash flow are really important to understand but are not well understood business concepts in the arts community. In creative spaces we don't talk about deal flow leads; how to negotiate; how to make sales; or how to close deals. All of these conversations are really important for creating sustainable businesses," says Duarte.

Other important lessons artists need to learn speak to sales and marketing. "Sales is like hunting and marketing is like farming," says Duarte, explaining: "Sales will give you a quick win. You get a quick win, but this requires a lot of energy because artists must go out and to get these quick wins." Being in a 'sales orientated mode' is very different to creating art, and is almost a separate part of an artist's work.

"Sales can take you out of your process. This is fine, and this is necessary, but to be sustainable as an artist in the long run, creators and makers should be thinking about the branding and marketing perspective, which is more about being a farmer. Being a farmer is about taking a long view on things," says Duarte. Just as farmers plant and nurture and nourish, so too artists need to consider and do that which grows their brands.

Farming is about investing in the creative brand, the artist's reach, and the artist's community which enables a pull,

rather than a push type marketing strategy. "Farming as an analogy for branding means artists don't have to go out to their markets that much and disrupt their creative work and process. Farming is about creating branding that enables an artist's market to come in and meet them a lot more often," Duarte explains.

"TO BE SUSTAINABLE AS AN ARTIST IN THE LONG RUN, CREATORS AND MAKERS SHOULD BE THINKING ABOUT THE **BRANDING AND MARKETING** PERSPECTIVE."

ATTRACTING 1 000 'TRUE FANS'

Rumboll and Duarte's key teachings for artists also include the basics of branding. Sensory consistency shows creatives how to look and sound the same online as in the real world, and there are teachings in experiential consistency.

"For instance, if your work is provocative, hopefully you are as provocative in your marketing of the work. Emotional consistency is how you make people feel around your work and you," Duarte explains, stressing that it is important to have an underlying consistency and to communicate consistently to the market, because this is what grows brands. "In other words, don't consider marketing as something that is separate from the act of producing your work. It is an extension and a part of your creative product that that you need to imbue your philosophy into," he says.

The thinking behind this speaks to a concept articulated by the founding executive editor of *Wired* magazine, which is that of 'a thousand true fans'. In a wildly popular blog post written in March 2008 the author of *New Rules for the New Economy: 10 Radical Strategies for a Connected World and What Technology Wants states:* "The long tail is a decidedly mixed blessing for creators. Individual artists, producers, inventors and makers are overlooked in the equation. The long tail does not raise the sales of creators much, but it does add massive competition and endless downward pressure on prices. Unless artists become a large aggregator of other artist's works, the long tail offers no path out of the quiet doldrums of minuscule sales."


Gallo Images/iStock

The 'long tail' is an expression used to articulate the market shift from mainstream products to the niche, a shift that was enabled by the democratisation of economies and markets by the internet. The best thinking on this phenomenon is captured in a book written by the current editor-in-chief of Wired Magazine, Chris Anderson called *The Long Tail: Why the Future of Business is Selling Less of More.*

Kelly says that rather "aiming for a blockbuster hit" artists should escape the long tail by finding 1 000 "true fans". "A creator, such as an artist, musician, photographer, craftsperson, performer, animator, designer, videomaker, or author – in other words, anyone producing works of art – needs to acquire only 1 000 True Fans to make a living," writes Kelly. "A True Fan is defined as someone who will purchase anything and everything you produce."

In short, the thinking is that to become sustainable businesses, artists should aspire to have at least 1 000 true fans.

Why do we want our country's artists to survive and thrive? "For innovation to thrive in a country, you need artists," says Rumboll on a YouTube video that promotes Business Acumen For Artists. "You need that creativity to drive any innovation. Without artists, innovation cannot happen." Rumboll says that in a coming paradigm shift, artists will be known as creative entrepreneurs. Rumboll declares: "The absolute starting point is the knowledge that what Andy Warhol said is true, and this is that being good at business is the most fascinating kind of art." ■

editorial@finweek.co.za

BUY SELL ✔ HOLD

CLOVER

Time to say goodbye

BY SIMON BROWN

I HAVE BEEN holding Clover* since it listed, but not because the dairy industry excites me – it doesn't. Milk is a totally inelastic product, you either have it in your coffee and with your corn flakes every morning, or you don't.

The rationale behind my investment was distribution. The company distributes milk to thousands of stores across the country every day and could easily add a few extra products and boost revenue with a small cost increase.

In part it has been doing this, but the real question is whether Clover is an exceptional company. My thinking is no – it's a good company, sure, but not exceptional.

So if it is not exceptional, why is it in my portfolio? Hence I am starting to sell my Clover shares. I'm not saying the price is heading weaker, rather it is just never going to shoot the lights out and my capital is better deployed elsewhere. ■

**The writer owns shares in Clover but is currently selling them.*

Simon Brown Last trade ideas

- SELL Choppies
- BUY RMBMID
- HOLD South32
- SELL Ellies

BUY ✔ SELL HOLD

BRAIT SE

Looking strong and fit

BY MOXIMA GAMA

WITH BRAIT HAVING agreed to pay $1.2bn (R15bn) for a 90% equity stake in budget clothes retailer New Look and attempting to retain its upside fitness – it plans to pay about R12bn for an 80% interest in Virgin Active – I'm finding the company quite attractive at current levels.

Following the disposal of its holding in Pepkor to Steinhoff for R26.4bn last year, Brait is sitting with a handy war chest. Billionaire businessman Christo Wiese, who owns 35% of Brait, recently said the group can comfortably spend another R20bn-25bn on acquisitions. Brait's recent pullback should present a good short-term buying opportunity (one to six months).

But one should follow a suitable purchasing strategy to catch the bait early. Upside above 10 755c/share is set to end near-term downside. This move should see Brait return to 11 665c/share, and potentially encounter resistance there. In which case, I'd suggest you revise your strategy and put stop orders in place. A mere 5% stop loss should kick you out.

If not, stay long and witness upside through 11 665c/share towards 12 240c/share, as the first target – to the 13 725c/share secondary target. However, Brait's positive correlation to the British pound will impact this call. Therefore, the pound should be followed in conjunction with the Brait share price. If the pound fails to regain composure, this trading strategy may prove futile. On the flip side, strength in the currency should fuel further gains to new highs. However, this trade should not be initiated if Brait should fail to trade above 10 755c/share.

The group's results for the year to end March will be released on 17 June, and analysts are forecasting an outperformance. Shareholders will be paid either cash dividends or bonus shares in August. ■

editorial@finweek.co.za

Warren Dick Last trade ideas

- BUY Pan African Resources
- BUY Afrimat
- BUY Petmin
- BUY Calgro M3

MORNINGSTAR AWARDS 2014: BEST INDIRECT PROPERTY FUND

A perfect **balance**

ABSA PROPERTY EQUITY FUND

Fayyaz Mottiar, fund manager of the Absa Property Equity Fund, believes listed property – which offers yield and capital growth – should always be part of a diversified portfolio. The fund is recommended for medium- to long-term investments, so a minimum of three years is recommended.

FUND INFORMATION

Benchmark:	FTSE/JSE SA Listed Property Index
Portfolio managers:	Fayyaz Mottiar
Minimum investment amount:	R2 000 lump sum or R200 per month
Total expense ratio (TER):	1.72%*
Fund size (Rm):	929.39
Contact information:	0860 111 456 or www.absa.co.za/wim

**The TER is for the Class A category of the fund, which is open to retail investors.*

FUND PERFORMANCE: YEARLY RETURNS (%)

1 year ending:	Apr '15	Apr '14	Apr '13	Apr '12	Apr '11
Absa Property Equity Fund (Class A)	62.11	0.38	38.36	18.34	13.95
Benchmark	38.26	-3.64	43.65	19	17.54

Source: Morningstar / INET BFA

TOP 10 HOLDINGS
(AS AT END-APRIL)

1	Fortress Income Fund Ltd	12.49%
2	Hyprop Investments Ltd	11.63%
3	New Europe Property Investments Plc	10.64%
4	Emira Property Fund	10.16%
5	Vukile Property Fund Ltd	9.81%
6	SA Corporate Real Estate Fund	9.47%
7	Arrowhead Properties Ltd	9.37%
8	Resilient Property Income Fund Ltd	5.38%
9	Rebosis Property Fund Ltd	3.1%
10	Texton Property Fund Ltd	2.3%
	TOTAL	**84.35%**

Fund manager insights

Mottiar is predicting a lot of market volatility ahead. Rising interest rates, for example, will hurt listed property "initially, but my view is that listed property will also be the fastest to recover".

Listed property can be described as a hybrid between equity and bonds, and traditionally its performance is very closely correlated to the bond market. Investors get a steady income flow that is paid out from the rental income earned, while it also offers capital growth.

In South Africa, where this fund has most of its exposure, the market is characterised by escalating rental payments. In developed markets, this is not always the case, and there can be no increase in rental income over extended periods of time. Mottiar likes offshore exposure with similar characteristics as the South African market, such as provided through its holding in New Europe Property Investments (Nepi) that operates in Eastern Europe. The fund offers about 20% offshore exposure.

Another characteristic of the Absa Property Equity Fund is that it is actively managed, and they prefer to take big positions in a smaller number of stocks where they have conviction in the prospects of the company, says Mottiar.

WHY *FINWEEK* WOULD CONSIDER ADDING IT

While SA's listed property sector has had an excellent run, prudent investors will be wise to continue holding listed property as part of a diversified portfolio. The sector offers income and capital growth over the medium to long term, while this fund also offers some offshore exposure to markets with similar characteristics, which brings some geographical diversification. This fund has a higher risk than traditional fixed-interest or income funds, and provides diversification from general equity shares. ■

editorial@finweek.co.za

Keep calm and buy **great companies**

BY SIMON BROWN

Gallo Images/iStock

Markets have been selling off, with the end of May and start of June seeing a surge of red days with the occasional green shoot in between. That said, as I write this, the percentage move down was modest at around 6%. So in a sense there's been lots of red but not much selling, in fact rather modest selling.

But this bout of red has got everybody asking me if I am bullish or bearish and if this is the end of the South African dream. The answer is simple, although it consists of many parts.

Firstly, my long-term view is bullish, always bullish. There are a few reasons for this, but I must stress when I say long term I am talking decades. The reason for this long-term optimism is simple: think about what humanity has been doing over the thousands of years we've been walking upright: we've been moving forward. At times it seems our nature has not changed much since the dawn of humanity, but we invent stuff, we create and ultimately we move forward. This is great for investors, especially as the stock market is a sort of voting machine in that losers go bust or get taken over and winners make huge profits.

Would you bet against humanity and all it has done over the past thousands of years? And if we're truly talking long term, betting against humanity has never been profitable – even two world wars in the space of nearly 30 years couldn't stop progress.

Adding to this is that given time, markets rise - in part due to inflation, in part due to earnings growth and in part because the losers exit.

Turning to the short term, I am never bullish nor bearish. I am unable to know what the short-term (any period shorter than five years is short term) holds. Predicting is a mug's game and predicting doom and gloom even worse. But regardless of what the market is doing, I am seeking out and buying quality stocks.

In the short term, markets will rise and they will fall and not even always in that order. But if you take a step back, you will see them rising over time; quality companies continue doing amazing things – increasing profits that eventually result in higher stock prices.

I suspect part of the current gloom around our markets (aside from all the red) is to do with what's happening on the ground in South Africa as much as what we're witnessing on the JSE.

We're seeing huge amounts of pessimism, and it's easy to see why. Eskom, Nkandla, alleged $10m (R125m) bribes to FIFA and so the list goes on. But we've been here before, many times. Yet in each case we got through it in the end. The same will happen again – Eskom will be fixed, eventually, and in time we will forget about Nkandla and the $10m.

Is there a chance that we'll slide into decades of despair and low or negative growth? Sure, but if you really believe that's likely (the evidence is slim and, as I stressed above, predicting the future is a mug's game), then you should stop worrying about how badly we're doing and more about when you're leaving.

So stop worrying about whether you should be bullish or bearish at this point and focus on finding those exceptional companies that will thrive, increase profits and make shareholders richer in the process. Then, as I always say, ignore the noise and when those exceptional companies are cheaper due to all the selling, buy them. Buy them, lock them in your bottom drawer (checking on them every so often), and stop worrying about whether you should be bullish or bearish. ■

editorial@finweek.co.za

The healthier hospital group

BY MOXIMA GAMA

The Health & Services Index is my least favourite sector this year – if anything, I would recommend a shift from overweight to neutral simply because it's overextended. However, with the pattern Mediclinic International is forming, it could secure medium-term upside.

As part of the private hospital industry, which has become an integral part of South Africa's healthcare environment, Mediclinic has flourished over the years. With its successful international expansion its revenue is diversified, which means a weaker rand is beneficial to its revenue stream. Mediclinic now earns 50% of its profits in Switzerland, 20% in the United Arab Emirates (UAE) and the rest in South Africa and Namibia.

Mediclinic recently reported a 16% increase in revenue for the year to end March, while profit increased by 26% to R4.5bn. Seemingly, investors expected a better performance and shares were down as much as 7% in intraday trading following the release on 22 May. The group blamed the Swiss government for adjusting the national outpatient tariff, which affected its Hirslanden unit, the largest private hospital network in Switzerland.

WITH ITS SUCCESSFUL INTERNATIONAL EXPANSION, ITS REVENUE IS DIVERSIFIED, WHICH MEANS A **WEAKER RAND IS BENEFICIAL** TO ITS REVENUE STREAM.

Mediclinic has fallen by approximately 22% since peaking at 13 460c/share in April.

That aside, Mediclinic generally boasts a highly experienced management team that has led sustainable growth over the past two decades. It also enjoys the benefits of having Remgro, which refinanced its Swiss and South African debt during October 2012, as a major long-term shareholder.

The fact remains that no matter the economic cycle, healthcare remains in demand. Therefore, healthcare stock fundamentals will often be credible, and the trend will be more sentiment-driven.

But as mentioned before, I believe the Health & Services Index is overextended and is due for a medium-term correction – already Netcare and Life Healthcare are showing signs of distress. But Mediclinic could still have legs to run, thus presenting a good switching opportunity.

POSSIBLE SCENARIO: Mediclinic has retraced to its second support trendline, and I expect it to hold there, given its mega-oversold relative strength index (RSI). If so, Mediclinic could breach the upper slope of its falling-wedge pattern, confirmed above 11 200c/share. The upside target of this breakout would be situated at 16 290c/share.

ALTERNATIVE SCENARIO: The second support trendline would be breached below 9 645c/share, possibly permitting a sell-off towards the 9 000c/share prior low. The next support level would be at 8 370c/share. A sell signal would be triggered below 9 645c/share. ■

editorial@finweek.co.za

MEDICLINIC INTERNATIONAL LTD

SOURCE: MetaStock Pro (Reuters)

52-week range:	R78.57 - R134.59
1-year total return:	25.3%
Current P/E ratio:	21
Market capitalisation:	R88.19bn
Earnings per share:	R4.84
Dividend yield:	1.05%
Average volume over 30 days:	2 418 240

SOURCE: Bloomberg.com

Simon's stock **tips**

BY SIMON BROWN

A GOOD-LOOKING DEAL

High-flying and high-valued Anchor Capital announced a deal to buy a majority of the company that owns Robert Cowen Investments for an initial R92m, with the remaining 34% at a price-to-earnings (P/E) multiple of 8 times over the next four years. The total amount for the remaining 34% cannot exceed the initial payment, so in total it will be a little over R180m at most. This is a good-looking deal and it should add some 20% to HEPS. The only possible issue is keeping the existing clients; buying assets under management (in this case some R3.8bn worth) in no way ensures those assets will remain. The money could go elsewhere at any time, so Anchor has to ensure not only continued returns but also continued service.

INTERESTING DEVELOPMENTS

A cautionary from Astrapak followed a few hours later by one from Transpaco certainly gets one thinking as they both operate in the packaging space, both making the bulk of revenue from plastic packaging. With both market caps around the same level (in the mid-R600m), it is not obvious who would buy whom; maybe there will be a merger. Combining the two would make some sense, but one wonders if the Competition Commission would approve. Another unlikely, but not impossible, option is that somebody has approached both companies with a buyout proposal.

DON'T GET EXCITED ABOUT UNBUNDLINGS

I always caution against shares that get unbundled from listed companies. Examples include Remgro passing Transhex and Implats onto poor shareholders, and more recently HCI unbundling its stake in Montauk. Soon we'll have Glencore ditching its holding in Lonmin. The recent Montauk results show why HCI didn't want it and this is nearly always the issue. The company unbundling the shares obviously doesn't want them and is unable to sell them, so it just passes them on via an unbundling. Sure, we've had some better unbundlings – Spar is the only one that really comes to mind, and that was over a decade ago. As a shareholder in any of the companies proposing unbundlings, I will always sell the shares as soon as possible. Of course, the process of selling often isn't so simple as small shareholders may get a small parcel of shares that is simply not economical to sell when costs are taken into account.

SHIFT CONTINUES

Index changes were announced by the JSE in the first week of June and the major changes are happening at the Top40. Exiting the index are Implats, Imperial and Life Healthcare, to be replaced by Capitec*, MMI and Brait. This means only six resource stocks remain in the index as the shift away from resources continues. The changes will be effective on close 19 June, so we should expect to see some extra activity in these shares in the days ahead of the date. That said, this is not really a trade opportunity; a lot of funds will rebalance and they will do their best to do so without moving share prices.

MR PRICE THE BENCHMARK

Mr Price* results really did impress although the share is still some 15% off its April highs. With a P/E of around 26 times, HEPS up 21% is good. Ideally one would want HEPS growth to be ahead of the P/E, but most retailers are struggling to get into double-digit HEPS growth while their P/Es also sit in 20s. So Mr Price really does set the benchmark as one of the better retailers on the JSE. ■

editorial@finweek.co.za

**The writer owns shares in Capitec and Mr Price.*

Huge **growth** potential for **ambitious retailer**

BY STEINMAN DE BRUYN
Director, Capilis Asset Managers

Choppies Enterprises Limited, an established retailer in Africa, listed on the JSE on 27 May. This is the fourth listed African company to have an inward listing on the JSE.

Founded in 1986 by the Chopdat family, Choppies primarily targets the lower- to middle-income consumer and is looking to capitalise on Africa's transition from informal to formal retail. It has grown to the largest and fastest-growing retailer in Africa outside of South Africa. Choppies currently operates 125 grocery stores, with a footprint in Botswana (72), SA (35) and Zimbabwe (18).

The company brings with it an ambitious growth plan and is pursuing a number of opportunities to expand into Southern and East Africa. According to the Group CEO, Ramachandran Ottapathu, the company is well on its way to reach its target of 200 stores by the end of 2016.

In mid-2015, it will start operating stores in Zambia and Tanzania and is well advanced in its plans to enter the Kenyan and Namibian markets (Choppies announced on 1 June that it had made an offer to buy Ukwala Supermarkets, with 10 outlets in Kenya, for around R120m.)

> WE BELIEVE THE COMPANY'S REVENUE WILL GROW BETWEEN **20%-30%** FOR THE YEAR TO END JUNE 2015.

Its current distribution infrastructure will allow it to increase its store base to 100 in SA without adding additional infrastructure. Higher capacity utilisation will lead to better economies of scale and cost benefits, which will drive further organic growth. In SA, Choppies doesn't compete head-on with the likes of Checkers and Pick n Pay – it targets the smaller towns where there is an undersupply of retailers.

In the three years to end June 2014, Choppies achieved a compound annual growth rate (CAGR) of 27% in total revenues and a CAGR of 34% in gross profit. According to our estimates, we believe the company's revenue will grow between 20%-30% for the year to end June 2015, in line with its historical performance.

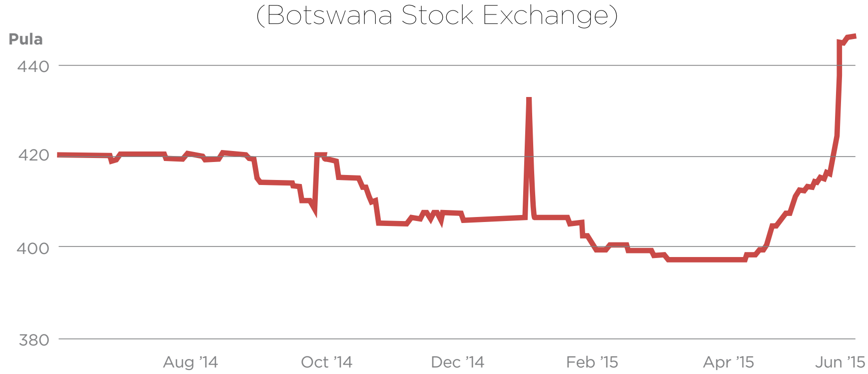
A differentiated approach of partnering and sourcing with local operators and suppliers seem to help maintain its high gross margins. In order to further expand its sales, Choppies is targeting its margins by increasing its private label offering from 50 to 200 products in the medium term. If it can produce its private label products in a cost-effective manner, it should be able to deliver higher growth margins than branded products. This also has the effect of diminishing the bargaining power of suppliers and gives it more weight to throw around when it comes to price negotiations in the future.

Although it has achieved massive success in Botswana, where it has knocked Checkers and Pick n Pay into second and third place respectively, Choppies faces continued pressure to continue penetrating SA and the rest of Africa as aggressively as it has been.

One must thus ask the question: will a non-South African company be the one who can take on Africa and tap into the opportunities that Africa possesses? We believe Choppies can achieve at least 85% of its targets and we're a buyer around current levels. ■

editorial@finweek.co.za

CHOPPIES ENTERPRISES LIMITED
(Botswana Stock Exchange)



SOURCE: INET BFA

52-week range:	P3.97 - P4.50
1-year total return:	+7.1%
Current P/E ratio:	31.47
Market capitalisation:	P5.28bn
Earnings per share:	-
Dividend yield:	1%
Average volume over 30 days:	-

SOURCE: INET BFA

Shares and interest rates go hand in hand

BY SCHALK LOUW
Portfolio Manager at PSG Wealth

Like cheese and wine; tea and biscuits; Sonny and Cher; and Bismarck and a disciplinary hearing, the equity market and interest rate cycles also go hand in hand.

On 2 June, the Reserve Bank reported that lowering interest rates may be a thing of the past (for now). They feel that a moderate strengthening of the monetary policy should help to keep inflation in check while not having too great an effect on economic growth.

Now the big question: if interest rates do rise, how will it affect local share prices? Without using historical figures as a prediction for the future, we can use the period from 1973 onwards as an example (see graphs).

What's interesting about these past 42 years is the fact that interest rates rose 48% of the time, and declined 52% of the time – close to a 50/50 scenario. Even more interesting is the duration of these phases. The average rising phase during this period lasted for 31 months, while the average declining phase lasted for 32 months.

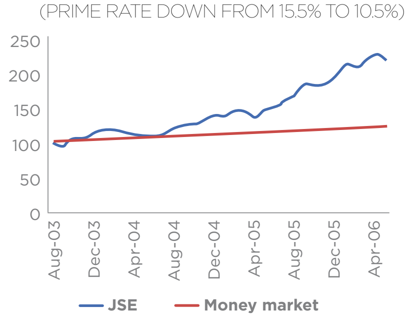
When we consider the equity markets during these phases, it is quite striking that we never saw a negative market during a declining interest rate phase since 1973. On the contrary, the market bloomed like the Namaqualand in spring.

The average growth during a declining interest rate phase was a staggering 36% per year, while you would have only earned 0.5% growth on your capital during a rising interest rate phase. The four graphs clearly show that you would have outperformed the money market during the past six declining interest rate phases (1994-present), while this would not have been possible during a rising interest rate phase.

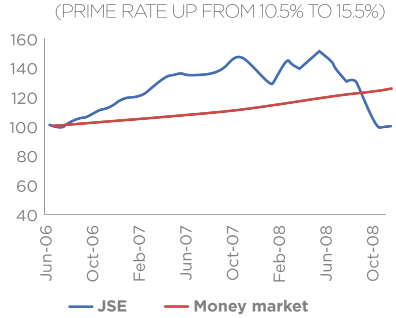
What's remarkable about this theory is that if you invested R100 in shares only in March 1986, your R100 would be worth R3 966 today, compared to the R1 837 before tax you would have had if you invested in the money market. If you had only invested in shares during a declining interest rate phase and took refuge in the money market during a rising interest rate phase, your R100 would be worth a whopping R12 357 today.

At this point, I need to reiterate the fact that the past serves as no promise for future performance.

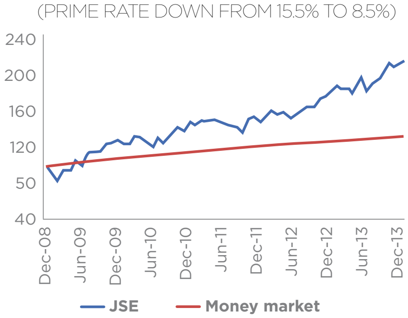
JSE IN A DECREASING PRIME RATE ENVIRONMENT ('03-'06)
(PRIME RATE DOWN FROM 15.5% TO 10.5%)



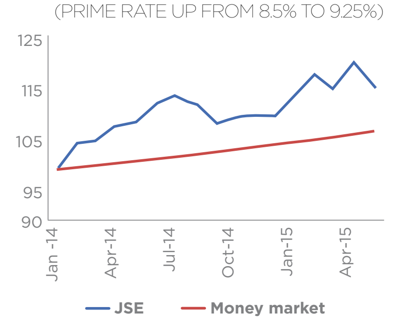
JSE IN A RISING PRIME RATE ENVIRONMENT ('06-'08)
(PRIME RATE UP FROM 10.5% TO 15.5%)



JSE IN A DECREASING PRIME RATE ENVIRONMENT ('08-'13)
(PRIME RATE DOWN FROM 15.5% TO 8.5%)



JSE IN A RISING PRIME RATE ENVIRONMENT ('13 - MAY '15)
(PRIME RATE UP FROM 8.5% TO 9.25%)



SOURCE: PSG

Here's what you need to know:

We started moving into a rising interest rate phase in January 2014 and, according to the Reserve Bank, the outlook in terms of interest rates is not good. The fact is that we are still trading 13% higher (excluding dividends) in this rising interest rate phase.

Will it be different this time? Many investors may have thought so in the past two rising interest rate phases (2001-2003 and 2006-2008) after the markets rallied at the beginning of those phases, only to end in the red. ■

editorial@finweek.co.za

JSE: Another correction in ageing bull market?

BY LUCAS DE LANGE

Accept that we are still experiencing a bull market, but sleep with one eye open. This is how an experienced commentator summed up the current situation on the JSE amid speculation about where the market is heading after the All Share Index weakened by about 7% since reaching its high in April.

Is it the beginning of a major correction in an ageing bull market which, based on its historic pattern, should have declined considerably some time ago in order to restore value? Or is it a limited correction that will offer opportunities to find a home for capital at fairer (but still high) prices?

On the one hand, there are those who believe that the bull market could continue for quite some time, given the enormous amount of money being pumped into the global economy by the European Central Bank and Japan. The current situation differs from the norm of the past, which preceded bear markets. Interest rates are at record lows and those billions must find a home somewhere. Shares offer the best option. Rising interest rates in the US are not regarded as an immediate, serious threat. They will be managed circumspectly. Or so it's believed.

The test will now be whether the JSE will turn after the index dropped to around its 200-day moving average. Internationally, as well as domestically, this indicator is regarded as important by many investors and analysts.

There is, however, a general feeling of caution among experienced market analysts. The market is high, with a price-to-earnings multiple of 17%-18% compared to its historic average of 12%-13%. Is it going to be any different this time? When this question was put to Alan Greenspan, the head of the Federal Reserve Board of the US at the time of the dot-com bubble, he remarked that he had never experienced during his (long) lifetime that markets could be "different". The inherent cycle will always eventually restore value.

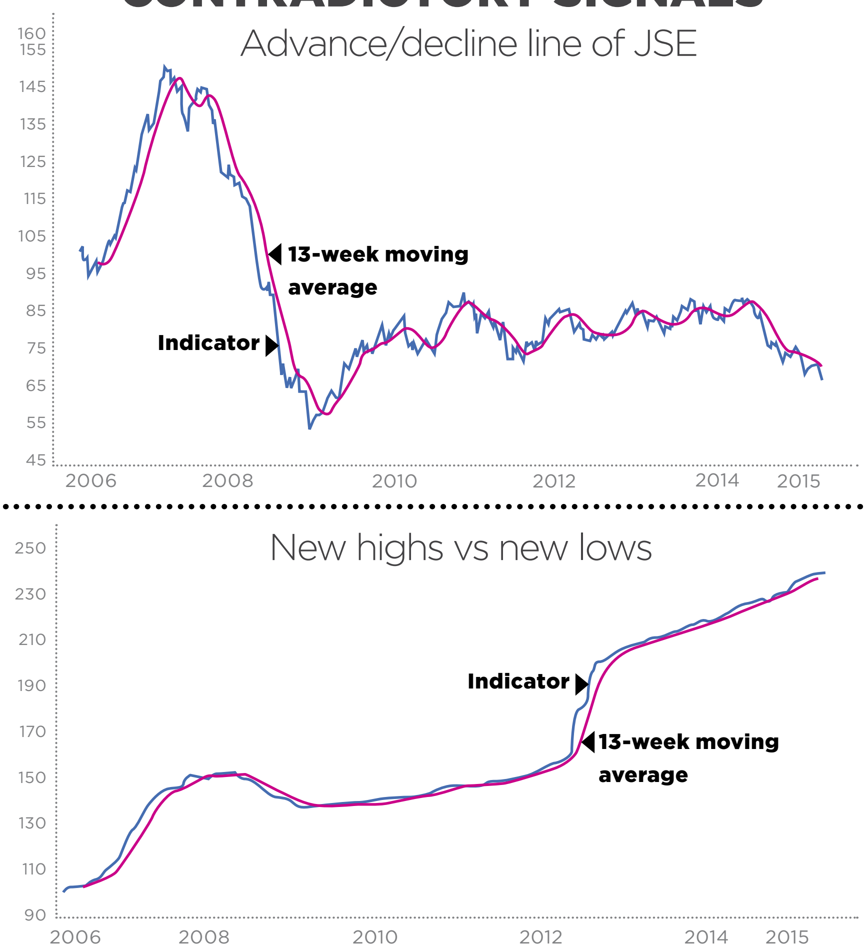
It is interesting that two early indicators that measure the market's heartbeat are moving in opposite directions. One is the advance/decline line, which is calculated by subtracting the number of shares that decline weekly (or daily) from the number of shares that increase in value. This gives a cumulative line that can be an excellent indicator of what is in fact happening in the market as a whole. The graph of the advance/decline line has been looking negative for quite some time.

The second indicator is derived by comparing the number of highs with the number of lows in a similar exercise. A bull market requires that the highs should dominate, as has been the case on the JSE for quite some time.

When these two indicators are in harmony, as was the case in 2008, then danger signals begin flashing. ■

editorial@finweek.co.za

CONTRADICTORY SIGNALS



SOURCE: Metastock from Equis International

MONEY 101
A home for your **nest egg**

BY KRISTIA VAN HEERDEN

Now that you know how much you should be saving towards retirement, it's time to figure out where exactly you should be investing your money.

Magnus Heystek Jnr, a certified financial planner (CFP) at Brenthurst Wealth Management, says since every case is different, it's worth consulting a financial planner to determine your risk profile, investment horizon and lifestyle variables like dependents.

"Advisers are well-versed in the different fee structures and tax implications and can guide investors away from products with confusing commission structures," says Heystek. "They also provide guidance on the use of preservation funds for retirement savings accumulated during income earning years."

If you would like to consult with a professional about your retirement, remember to consult a financial adviser who doesn't sell specific products to ensure that you're not getting a product simply because the adviser is earning commission.

"The introductory meeting should generally not be charged for, and this is where the client and adviser can discuss needs, (the client's) financial situation, requirements and their expectations," says Allan Shine, CFP. "R1 000 per hour would be about right if someone was looking to pay financial adviser fees only."

In some cases, financial advisers are willing to enter into a monthly retainer fee agreement or do pro bono work, so don't assume you can't afford an independent adviser. Also don't hesitate to question your financial adviser about their fees. If their answer is vague or they imply that you can't or don't need to understand the fee structure, find another adviser. The Financial Planning Institute of Southern Africa (FPI) website has a comprehensive list of CFPs in your area.

THE FUNDS

Michele Ongley, head of institutional business development at 10X Investments, says retirement fund savings can be invested in either compulsory or discretionary products.

Compulsory products are the products in which employees invest through their employers. She says this option is by far the cheapest for employees. In addition to group risk benefits like disability and death cover, the employer also contributes towards the employee's retirement fund savings.

Ongley adds employees should ensure their contribution rate is maximised and should always contribute the highest possible percentage. She says employees are often too concerned with the take-home value of their package and opt for the lowest contribution rate as a result. "As little as a 2% additional monthly contribution, which is often less than R1 000 in take-home pay, can add 12% more money at retirement."

Those who aren't formally employed, who are employed by a company that doesn't offer a pension package or who want to invest more towards their retirement than their company would allow, can opt for discretionary products.

Retirement annuities (RAs) offer tax rebates, but discretionary funds can also be unit trusts or individual share portfolios. When considering a discretionary fund, ensure you are maximising the tax benefits and coordinating your tax strategy effectively between pension or provident funds and retirement annuities, says Ongley. She adds investors also need to be vigilant about costs and ensure they understand all fees, including asset management fees, performance fees, product fees and financial adviser or advice fees.

"Each investor's portfolio comprises different ingredients – known as asset classes – such as cash, shares and property, both locally and offshore. Each ingredient has, over time, a different likely return and a different amount by which that return is likely to fluctuate," says John Campbell, CFP and CEO of Chartered Wealth Solutions.

"By carefully blending the ingredients together in certain proportions, a financial planner is able to target the return a client needs at the lowest possible level of risk, thereby minimising fluctuation or volatility."

He says you have to understand and accept the risk you have to take to achieve the return you need

Michele Ongley

to live the lifestyle you want. "Once you accept that risk, there are no unpleasant surprises."

Campbell adds the money in your retirement fund should be invested in a living or compulsory annuity. "The living annuity pays you an income which you can regulate, but you take on all the investment decisions and risk. The compulsory annuity is when you buy a guaranteed income and have no flexibility, but also no risk," he explains.

He says your discretionary money can be invested in a number of vehicles, including unit trusts and endowments. "What is far more important than the vehicle, is the underlying fund or funds that you invest in. This is where the growth in your investment or your performance comes from."

Heystek agrees, adding that it's advisable to use an investment platform that offers a wide range of funds, so risk can be spread across different countries and sectors to improve diversification.

"A retirement annuity remains one of the key solutions for retirement planning," he says. "However, careful consideration is critical as not all such retirement products offer access to a wide range of funds and the fee structures also differ. Other savings products, for instance the tax-free savings option introduced earlier this year, can also be considered for retirement." He says a key factor is the longer the term, the better the return over time will be.

"Investors, especially those nearing retirement, must resist all temptation to use savings for lifestyle expenses." ■

editorial@finweek.co.za

"WHAT IS FAR MORE IMPORTANT THAN THE VEHICLE, IS THE UNDERLYING FUND OR FUNDS THAT YOU INVEST IN."


John Campbell

Gallo Images/iStock

Early money habits influence children in their later years

BY JUSTINE OLIVIER

It is important to instil the value of money in your children from an early age. If no one teaches your child, how do you expect them to handle their money later in life? Children learn from example, and if they are not taught about debt, compound interest and the like from an early age, they'll be on the back foot when compared to their peers once they're in their twenties, and will have to teach themselves good financial habits. Unfortunately, some people do not manage this and soon find themselves facing an insurmountable pile of debt. Don't dismiss the importance of teaching your children good financial habits.

Research by the Money Advice Service has found that money habits, particularly adult money management habits, are formed in children by the age of seven. "Most young children grasp all main aspects of how money works and form core behaviours which they take into adulthood and which will affect financial decisions they make for the rest of their lives," it stated.

"YOUR OWN ATTITUDES TOWARDS MONEY WILL RUB OFF ON YOUR CHILDREN, SO DAILY LIFE PRESENTS A WONDERFUL OPPORTUNITY TO TEACH CHILDREN GOOD MONEY HABITS."

Says Danelle van Heerde, head of advice processes at Sanlam Personal Finance: "The best way to teach your children anything is by example. Money habits are no different. Your own attitudes towards money will rub off on your children, so daily life presents a wonderful opportunity to teach children good money habits." Remember, it's not what you say but what you do that often has a lasting impact on young children. If you contradict what you say, children will often fall back on following your example, therefore it is pivotal to ensure

Gallo Images/iStock

that you practise what you preach.

Says Charl Nel, head of communications at Capitec: "Children learn from imitation from an early age. They also learn by picking up patterns in their own daily experiences – called inductive learning – so involve them in age appropriate money activates as often as you can. Getting the basics right will help your child to build a strong financial base."

Unfortunately, one of the most common mistakes that parents make is trying to keep up with what other parents offer their children. This may be hard when your child comes up to you complaining that their friend has just received the latest gadget. Perhaps the friend's parents are in a better financial situation than you; the last thing you want is to get into further debt by trying to keep up appearances. Rather, encourage your child to save for such items. "Introduce them to the principle of saving," says Van Heerde. "Suggest that they save a portion of their weekly allowance for a couple of weeks and eventually they will have saved enough money to make the purchase."

So what basics can you teach your children to ensure that they will become financially savvy?

Says Frank Magwegwe, CFP and head of Momentum Personal Adviser Services: "Just talking about money with your children goes a long way. I am surprised by the number of parents I talk to and the topic of money is off limits with their children.

"Discuss household income and expenses with the depth of the discussion taking age into account. Explain what the income is spent on. This introduces concepts of paying rent or a bond, food, school fees etc. This also introduces the concept of budgeting and saving."

It is important to set an example for your child whatever their age. While financial habits are learnt from an early age, setting an example when your child is older is just as important. Van Heerde recommends that you open an investment or savings account for your child. "You can use it to teach your child about savings and how their money grows over time with the interest that is added.

"Older children should be able to grasp how interest on interest, or compound interest, can work for them. Also, demonstrating the power of good compound interest [interest you earn on your savings] versus bad compound interest [interest you pay on your debt] is a great way to show children the value in starting good money habits," she explains.

What you need to keep in mind though, is that teaching your children good money habits is all good and well, as is setting an example. But this will be forgotten if you continue your bad money habits when you think your child isn't watching.

AT WHAT AGE SHOULD YOU TEACH WHAT?

AGE-APPROPRIATE CONCEPTS ACCORDING TO MOMENTUM'S MAGWEGWE:

THREE TO FOUR YEARS
Discuss what money is for. By this age children understand what money is for within a shopping context, and you can explain that it is used to buy things.

FOUR TO FIVE YEARS
Expose children to paying for goods and services. By now, children understand that they need to pay for merchandise, but may not understand that coins have different values.

FIVE TO SIX YEARS
Discuss the different denominations of money. Children in this age group understand that some denominations do not carry enough value to buy some items. This is the perfect age to discuss this with them.

SEVEN YEARS
Discuss costs of specific goods and services, and how you pay for them and where you get the money from. Also, what happens if you don't have enough money. At this age, children understand that money can be exchanged for goods and that change is returned by the shopkeeper only when the denominations are larger than the cost of the item offered by the purchaser.

CHILDREN ARE MORE AWARE THAN YOU THINK, THEREFORE IT IS PIVOTAL THAT YOU AVOID THE FOLLOWING THREE MOST COMMON BAD HABITS:

1. Overspending, or not saving enough money so that you fall short at the end of the month. Children will pick up on this.

2. Ignoring bills. Children need to know that there are repercussions for not paying what is owed and that they need to take responsibility.

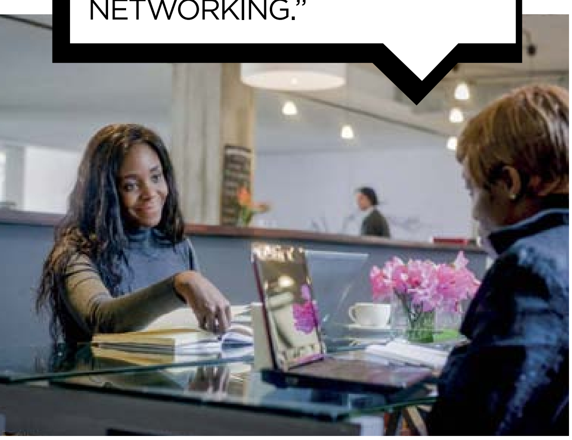
3. Living from pay cheque to pay cheque. You may find yourself struggling, but this is still an opportunity to teach your child the importance of saving and paying off debt – don't ignore the problem because of your circumstances. ■

editorial@finweek.co.za

Collaborative workspaces **cultivate entrepreneurship**

BY GLENDA WILLIAMS

"PEOPLE GET TO NETWORK IN A VERY **NATURAL** AND NON-CONTRIVED WAY, THE BEST TYPE OF NETWORKING."



▲ **Working, learning, networking and socialising in OPEN's collaborative working spaces.**

The nature of how we work has changed. There are fewer jobs and complex social problems requiring a different take on the working environment. One such outlook is co-working spaces, where individuals with a cross section of skills as well as various stakeholders are able to work together in one space. It is these collaborative landscapes that are helping to jump-start budding entrepreneurs and small business.

Let's be frank, job security is not what it once was. Today an increasing number of people globally are battling an ever-diminishing job market. Those that are permanently employed make up less than 25% of the world's labour force, reports the International Labour Organization. With the world's unemployed no longer able to rely on corporates or government to deliver jobs, the burden of job creation has fallen on entrepreneurs and small business.

But for 'solopreneurs' and aspirant start-ups, working solo can be a very lonely place. Nor is it particularly stimulating. And it is often very difficult to present professionalism effectively, especially if working from home or out of a coffee bar. But to project a modicum of this they face the hurdle of pricey office rents and associated costs. It's these dilemmas that OPEN is tackling, changing the nature of the start-up ecosystem with its dynamic collaborative workspaces.

Departing from the classically serviced office suite environment, OPEN founders Paul Keursten, Mark Seftel and Westleigh Wilkinson have created co-working spaces that are more than just workspaces. They are places where individuals and companies, big and small, come together to work, learn, innovate and socialise.

First-generation co-working spaces are often very basic. Not so with OPEN. A fusion of coffee bar, hotel lounge, business club and office, its designs include a variety of work settings, new technologies such as optical fibre, acoustic and lighting technology and even specially designed furniture. Its first collaborative workspace in Maboneng, Johannesburg, which opened in 2012, is the antithesis of basic. And it's a hip and trendy destination to boot.

While OPEN's members are an assortment of individuals and organisations, there is a definite bias towards SMEs and start-ups. Seftel tells *Finweek* that around 75% of its members are self-employed. Aside from a stimulating environment and wallet-friendly costs, one of the attractions of these co-working spaces is that there is no pecking order. This, together with OPEN's platform of collaboration and innovation, is not only beneficial to entrepreneurs who get to rub shoulders with people they might otherwise not have met; it is as important for corporates and academia – many of whom have satellite offices in OPEN – as a means of discovering and working with new talent. "People get to network in a very natural and non-contrived way, the best type of networking," says Seftel.

OPEN has not ring-fenced itself into one particular type of space; it offers hot desks, lab desks (same desks used every day), dedicated offices or studios as well as meeting rooms and event space. And OPEN's members can migrate or move back and forth from one space to another depending on their requirements. They can rent for a day, a week, a month or a year or more. Even catering to the night owl or student, OPEN spaces are accessible for 18 hours up to 10pm. Individual hot desk rates range from R1 500 per month and includes super-

OPEN Maboneng is situated in the heart of the Maboneng precinct in Johannesburg's CBD.

fast internet, but drop-in rates are also available.

OPEN is as much about the ethos of entrepreneurship, innovation and collaboration and the fostering of these ideals as it is about the space. So while the space is important, it is the community that brings value. "We are very driven by the work of Steven Johnson who writes about proximity and peer progressives (the notion of bringing people together who are like-minded). He says that proximity creates innovation. And we are particularly interested in work that is productive and is going to have a net social positive impact on the world," explains Seftel.

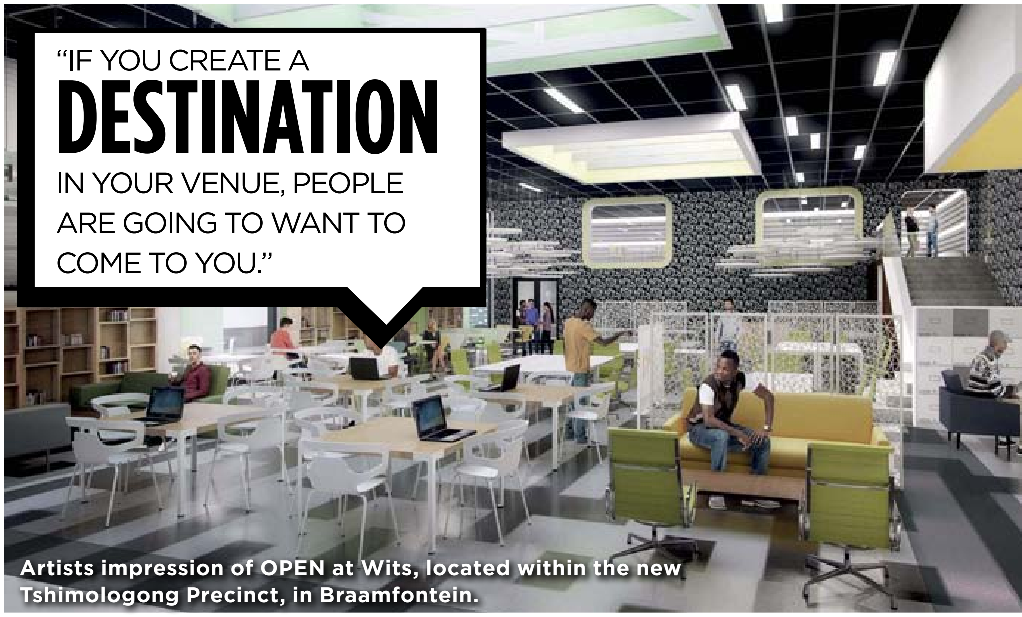
Each OPEN space is unique to its precinct and community requirement, or to those with whom OPEN partners. One such partnership is OPEN Wits in Braamfontein, Johannesburg – currently under construction – where focus is on developing tech start-up culture. The company is also creating new spaces in Mamelodi, east of Pretoria, and in partnership with V&A Waterfront, Workshop17, a co-working hub at Cape Town's V&A.

These co-working spaces are building vibrant and energetic communities. And they are also becoming destinations. "If you create a destination in your venue, people are going to want to come to you and all of a sudden you see that like-minded people start growing their networks within the space, says Seftel. The spaces also serve to break down social, age and racial boundaries. "Co-working spaces provide a really amazing ecosystem for those boundaries to be blurred," says Seftel.

OPEN is particularly interested in servicing densified environments and the V&A Waterfront, with up to 100 000 people visiting every day during peak season, is a slam dunk. It is here at Workshop17 where the founders are hosting Africa's first co-working conference on 23 and 24 July.

Even with three new spaces coming on stream this year, the founders are not resting on their laurels, seeking to expand the brand particularly through their preferred model of purchasing the property. It's an innovative model that creates two businesses: a management business and a property portfolio. Their expansion goal not only has them eyeing locations in Sandton and around Gautrain stations, but also looking further north to densified areas like Nairobi, Kenya, and Accra, Ghana.

"IF YOU CREATE A **DESTINATION** IN YOUR VENUE, PEOPLE ARE GOING TO WANT TO COME TO YOU."



Artists impression of OPEN at Wits, located within the new Tshimologong Precinct, in Braamfontein.

OPEN's three founders (L-R) Westleigh Wilkinson, Mark Seftel and Paul Keursten.

The paradigm shift in the way people work along with the need to create our own jobs has led to an increasing co-working community. When OPEN launched three years ago, there were just a handful of co-working spaces. Now they are popping up all over the place. "It is not going to be a revolution. You won't see offices disappear," says Seftel. "But if you consider that 35% of all property is office space and currently less than 1% of that is co-working, there is room for at least 2%-3% maybe more. From a penetration point of view we are just scratching the surface." ■

editorial@finweek.co.za

Giving a **hand** to bring change

BY SHANDUKANI MULAUDZI

Beth van As remembers hearing her husband Richard shout from the front door: "Babe! We need to go to the hospital!" It was a Saturday afternoon and she was exhausted and ready to rest. As she made her way downstairs she thought, 'Oh, what have you done now?', but nothing could have prepared her for what she saw. "It was this gruesome scene and I thought, 'Oh okay, *that's* what you did.'"

Richard had just cut off two of his fingers and partially severed a third while working with a table saw in his workshop.

The doctors were unable to reattach his fingers so Richard started to think of ways he could get new fingers himself.

Within a few months of his accident, Richard had developed a prototype of a hand, which could be attached to a limb without any electricity or robotics and today he is co-owner of a 3D printing company called RoboBeast.

"Craftsmen always cut themselves, I just did a proper job. It was a freak accident and I had to get over it. Figuring out how to fix it was my therapy," he says.

THE BIRTH OF ROBOHAND

Richard refused to stay in hospital after his surgery, saying he needed to get back to work and figure out how to do it with one hand.

He went back into his workshop and changed it around so everything was suitable for a left-handed person. He refused to feel sorry for himself because he had a project deadline for that week. He completed it on time.

"It's funny, the client had even sent me flowers but I didn't want to sit on the couch and feel sorry for myself," he says.

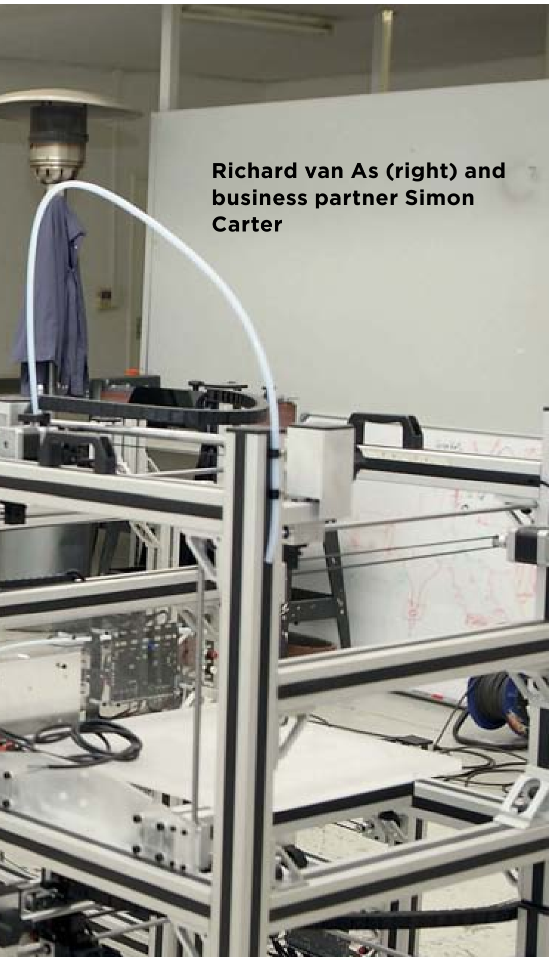
Beth says the experience was an emotional roller coaster for her at first, but because she knows her husband well, she knew it would have damaged him more to sit back and watch life happen to him.

Richard had hospital bills of about R180 000 and could not afford prosthetic limbs. He started looking for alternatives that would give him the same functionality at a lower cost. "A myoelectric hand can cost anything between R250 000 and R500 000 and you can't bath or swim or anything with them because they're electric," says Richard.

With the internet as his friend he

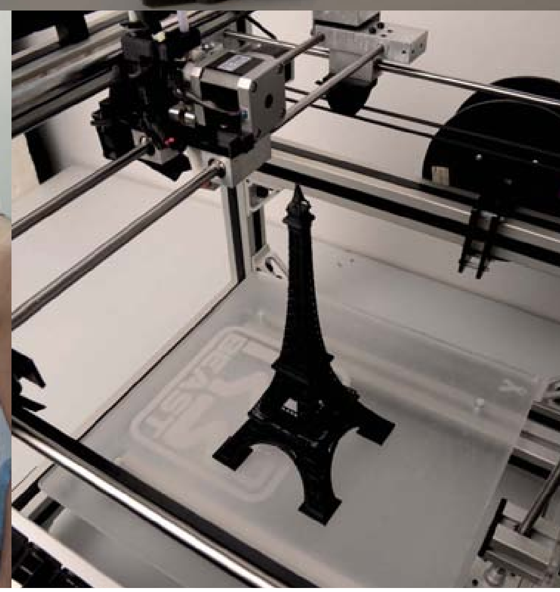
The RoboBeast

"CRAFTSMEN ALWAYS CUT THEMSELVES, I JUST DID A PROPER JOB."



Richard van As (right) and business partner Simon Carter

The Robohand and some other components printed by the RoboBeast



started looking into developing hands that are completely anatomically driven. "This means they mimic what the human body already does, so even if you have never had limbs before it follows the natural movement of your anatomy," Richard says.

He started communicating with Ivan Owen from Washington State in the United States. Ivan had developed a large mechanical prop hand, so Richard wanted to work with him to develop something that could be more user-friendly.

The two spent a few months chatting via cyber space and after starting an Indiegogo crowd-sourcing campaign to bring Ivan to South Africa, they developed an aluminium hand for a young boy named Liam. That was the birth of Robohand.

The success for Liam was not enough for Richard. He wanted to develop something cheaper than the aluminium Robohand because he wanted it to be accessible to more people. He then thought of recreating the Robohand but through 3D printing. Ivan and Richard had two Makerbot 2 3D printers donated to them and they started work on developing the right prototype.

"He would work through the night. He wasn't sleeping, for one because of the pain, but also because he was determined to crack this," says Beth.

FROM ROBOHAND TO ROBOBEAST

Ivan left Robohand and Richard continued working on making Robohand as efficient as possible. After developing the hand on various types of printers, Richard was not happy with their quality and decided he would build his own 3D printer.

"To make the best hands possible I

needed the right printers and they were all just not up to scratch. It was a lot of on-the-job training. I assessed what was wrong with the others and developed ways to improve them," Richard says.

He wanted a machine that would be robust, reliable and – most importantly – of good quality. His plan was to go to war-torn Syria to help people who had lost limbs.

"I needed a machine that would be moveable. In Syria the hospitals are targeted more than schools. Hospitals literally have to move every 24 hours," he says.

He finally cracked his own 3D printer and named it the RoboBeast. With a back-up battery that can be solar powered and able to print while lying on its side, Richard ensured that his machine would be able to work in the harshest of conditions.

Richard took four of his machines on a mission to Syria where he tested its durability for the first time. Upon his return he decided to commercialise the project, which is when he met his partner Simon Carter, who has years of experience in marketing and advertising.

With Richard being a man of very few words, Simon says their partnership works really well. "It's a perfect yin and yang. He's the brain and I do all the talking," he laughs.

The two met in May 2014 and initially worked from Richard's house before moving to a space at House4Hack, an idea incubation centre in Centurion that Richard co-founded. Simon says at House4Hack they were able to collaborate with some people who helped develop the firmware and with ideas that Richard then grew from there.

"If it wasn't for them I don't think we would be where we are today," Simon says. He says one of the unique things about RoboBeast is that all parts are made in South Africa.

"We do that to ensure that if you need parts you don't have to wait for two to three weeks to get them," Richard says.

Simon adds that SA is not at the forefront of innovation, manufacturing and IT and this is part of what they aim to improve. "Innovation support in SA is growing. We need to be finishing processes here before exporting at high value."

Robohand is no longer the primary focus of the company as Simon and Richard want to provide the printer to industries to transform the way their business processes work.

"Companies like Revlon, for example, in the past would have had to send designs of a new bottle to China first, have them designed, then decide on what works best after having it shipped here. Now, they can just 3D print different designs at a much lower cost," Simon explains.

"TO MAKE THE BEST HANDS POSSIBLE, I NEEDED THE RIGHT PRINTERS AND THEY WERE ALL JUST NOT UP TO SCRATCH."

Richard van As assembling component pieces of the RoboBeast.

VISION FOR ROBOBEAST AND ROBOHAND

The 3D printing industry in SA is relatively new and Simon says sales figures are unknown to them. They are hoping to beat the imports out of the market through their selling price and quality promise. There is a standard RoboBeast size, but if companies need larger printers for their purposes, these can be specially designed for them.

Simon says the RoboBeast team currently consists of about six people who can all make one RoboBeast in a day. They are hoping to up this number to about 20 employees by the end of the year.

To date, Robohand has helped about 834 people around the world. However, with worldwide access to the hand design on the internet and about 1.4m downloads it's possible that many more people have been helped.

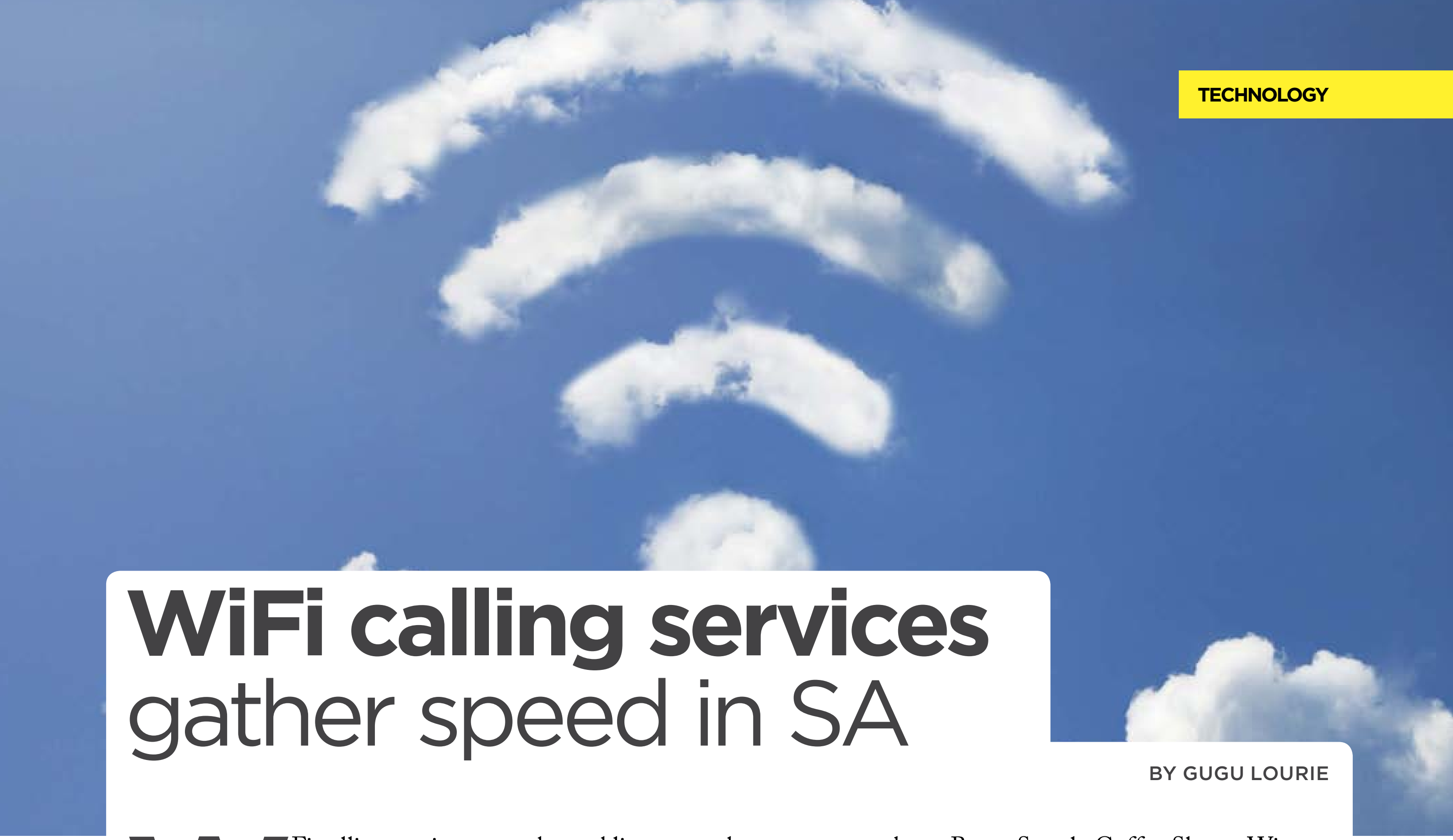
Beth has been running Robohand since inception, with branches in Australia, Kansas in the US and now in Cosmo City, Johannesburg. Due to her full-time job, the pressure has been immense and they have now added occupational therapist Tanya Muir to the team.

Robohand is important to Beth as she feels every story has impacted her in various ways. "When you see a child hold something for the first time and the look on their faces and their parents' faces, you just see that this is a big deal and you've actually changed someone's life," she says.

Beth and Tanya would like to see more corporates becoming involved with Robohand so they can keep helping people at the lowest cost possible.

If you would like to assist Robohand, please contact Tanya on tanya@robohand.net. ■

editorial@finweek.co.za



WiFi calling services gather speed in SA

BY GUGU LOURIE

WiFi calling services are picking up steam in South Africa and is likely to be the new battleground among mobile phone firms and hotspot network operators, such as AlwaysOn and Orange.

The offshoot of the telecoms industry, WiFi – a short-range wireless network – is increasingly becoming a lifestyle requirement as more South Africans access the internet via hotspots in bars, restaurants, coffee shops, conference venues, airports and even on the bus services in the City of Tshwane.

In search of new revenue streams, operators such as AlwaysOn have launched WiFi calling services. Cell C, South Africa's third-largest mobile phone operator, is also preparing to launch a WiFi calling offering.

Vodacom and MTN haven't said if it will offer this service to its customers.

WiFi calling enables a user to make a call even if they are in an area with no coverage from any of Vodacom, MTN, Cell C or Telkom Mobile, provided you are connected to a WiFi hotspot that delivers WiFi calling.

There is nothing new about WiFi calling as apps like WhatsApp, Skype and Viber already provide this service by enabling smartphone users to make phone calls over the internet and avoid connecting to the cellular phone operators' wider networks.

AlwaysOn, which is owned by Internet Solutions and controlled by Dimension Data, has launched calls over WiFi or its cellular data package – a much cheaper way of calling when compared to using mobile phone operators' networks.

The company provides calls for free between all users of AlwaysOn Calling, but calls made from the service to local fixed-line and cellular providers are charged at a flat rate of R50 per hour of talk time at per second rate.

AlwaysOn provides its services to close to 1m monthly users.

Hayden Lamberti, AlwaysOn's managing director, says: "The South African consumer is having a rough time of it at the moment with mobile tariff hikes across the board. For South Africans wanting to get the best deal and maximise their time online, this is the perfect answer. It is easy to get, easy to use and users get to save a lot of money."

AlwaysOn WiFi services are available at Doppio Zero, Dulce Café, Fego, McDonalds, Mugg & Bean, Seattle Coffee Shops, Wimpy, Woolworths, City Lodge Hotels, Protea Hotels and Sun International Hotels.

The company's WiFi services are also made available to travelling customers through roaming agreements with BT WiFi, Orange, Sprint and Tata Indicom, among others.

One wonders whether Telkom, South Africa's biggest fixed-line telephone group, is not about to join the race to provide WiFi calling.

Telkom has the largest WiFi network in the country. It had 6 100 on-air WiFi hotspots at the end of March. It seems likely that with such infrastructure, Telkom would be keen to provide WiFi calling services.

However, Telkom CEO Sipho Maseko says the company is presently "over-indexed" on voice and is not yet ready to offer WiFi calling services. "I don't want to cannibalise it too quickly. But it's going to happen anyway," says Maseko.

Telkom's fixed voice usage declined by 13.5% to R6.9bn in the year to end-March.

"We continue to see pressure on voice usage, particularly in our enterprise business," says Maseko. ■

editorial@finweek.co.za

Directors' Dealings

Company	Director	Transaction Date	Transaction Type	Volume	Price (c)	Value (R)	Date Modified
A V I	S Crutchley	5 June	Exercise Options	180,169	8445	15,215,272	8 June
A V I	K Phillips	5 June	Exercise Options	27,281	8445	2,303,880	8 June
BOWCALF	BJ Frost	3 June	Purchase	1,000	795	7,950	8 June
ELB GROUP	J Salomons	5 June	Exercise Options	7,000	1250	87,500	10 June
HARMONY	F Abbott	28 May	Purchase	60,000	1682	1,009,200	4 June
NAMPAK	PA de Weerdt	1 June	Sell	4,298	3517	151,160	4 June
NAMPAK	EE Smuts	5 June	Purchase	1,256	3329	41,812	8 June
OASIS	N Ebrahim	10 June	Purchase	1,189	396	4,708	10 June
OCTODEC	MZ Pollack	4 June	Purchase	79,760	2156	1,719,625	5 June
PHUMELELA	MJ Jooste	2 June	Purchase	636,900	1750	11,145,750	4 June
PIVOTAL	MSB Neser	29 May	Sell	468,764	2360	11,062,830	5 June
PSG	JJ Mouton	5 June	Purchase	1,500	18800	282,000	9 June
REDEFINE	L Kok	29 May	Purchase	3,516	1070	37,621	5 June
REDEFINE	AJ Konig	29 May	Purchase	11,945	1070	127,811	5 June
REDEFINE	AJ Konig	29 May	Sell	7,445	1070	79,661	5 June
REDEFINE	HK Mehta	29 May	Purchase	303,295	1070	3,245,256	5 June
REDEFINE	B Nackan	29 May	Purchase	350	1070	3,745	5 June
REDEFINE	DH Rice	29 May	Sell	6,776	1070	72,503	5 June
REDEFINE	N Toerien	29 May	Purchase	354	1070	3,787	5 June
REDEFINE	M Wainer	29 May	Purchase	10,351	1070	110,755	5 June
REDEFINE	M Wainer	29 May	Sell	8,652	1070	92,576	5 June
RMIH	HL Bosman	29 May	Purchase	500,000	4366	21,830,000	4 June
SIBANYE	C Farrel	1 June	Sell	8,210	2129	174,790	4 June
SIBANYE	C Farrel	1 June	Purchase	44,019	2129	937,164	4 June
SIBANYE	C Keyter	29 May	Sell	21,221	2129	451,795	4 June
SIBANYE	C Keyter	29 May	Sell	12,080	2129	257,183	4 June
SIBANYE	C Keyter	29 May	Sell	46,910	2129	998,713	4 June
SIBANYE	C Keyter	29 May	Purchase	28,129	2129	598,866	4 June
SIBANYE	C Keyter	29 May	Purchase	16,014	2129	340,938	4 June
STEFSTOCK	W Meyburgh	2 June	Purchase	399,070	708	2,825,415	4 June
STEFSTOCK	DG Quinn	1 June	Sell	193,452	710	1,373,509	4 June
TONGAAT	MAC Mahlari	2 June	Sell	855	13145	112,389	4 June
TONGAAT	MH Munro	1 June	Purchase	4,114	13108	539,263	4 June
TONGAAT	MH Munro	2 June	Sell	3,338	13145	438,780	4 June
TONGAAT	PH Staude	2 June	Sell	10,349	13149	1,360,790	4 June
TONGAAT	PH Staude	1 June	Purchase	13,405	13108	1,757,127	4 June
VUKILE	HC Lopion	28 May	Purchase	123,313	1895	2,336,781	4 June
VUKILE	S Moseneke	27 May	Purchase	95,630	1895	1,812,188	4 June
VUKILE	J Neethling	28 May	Purchase	79,455	1895	1,505,672	4 June
VUKILE	MJ Potts	28 May	Purchase	138,251	1895	2,619,856	4 June
VUKILE	LG Rapp	27 May	Purchase	268,190	1895	5,082,200	4 June

Dividend ranking

SHARE	FORECAST DPS (c)	FORECAST DY (%)
REBOSIS	109	9.7
OCTODEC	192	8.3
VUKILE	148	8.2
REDEFINE	80	7.9
ACCPROP	49	7.7

SHARE	FORECAST DPS (c)	FORECAST DY (%)
BASIL READ	26	7.6
PAN AFRICAN	15	7.4
ASTRAL	1200	7.2
GROWTHPOINT	174	7.0
A V I	525	6.9

A tale of two **talkshops**

BY GUY HARRIS

Gallo Images/iStock

Africa, South Africa and all its cities, including Cape Town, always bring to mind our complex dichotomies. The glass is half full or half empty depending on how you look at things. We have lots of problems or lots of opportunities, depending on your filter.

The different scripts were brought into focus in the first week of June.

We had the global fanfare of mainly mega corporations, along with their advisers and with big government in tow, to talk up the "good story" of low economic growth and rising unemployment. They attended the World Economic Forum (WEF) on Africa at the Cape Town International Convention Centre (CTICC).

Across town on the outskirts of Somerset West was the South African Small, Medium and Micro Enterprise (SMME) conference. It was organised by a lesser-known organisation – the Africagrowth Institute (AGI).

Whether the timing was a coincidence is unknown, but they were clearly not chasing the same market.

The big business one cost R60 000 to attend. Add to that entertaining, logistics, advertising, sponsorship and publicity budgets to leverage the benefit of attending.

The cost of attending the SMME conference was R1 800, but it was only a day long. I was sponsored by the organisers to attend on behalf of the SA Institute for Entrepreneurship (www.entrepreneurship.co.za), which focuses on capacitating survivalist, base-of-the-pyramid entrepreneurs.

President Jacob Zuma graced the opening of the WEF at the CTICC but the N-word was not mentioned when discussing governance, nor FIFA when discussing corruption. Fast-tracking redress via entrepreneurship development was not raised, nor the added cost of one-off tenderers.

Possibly as a sop to the masses there were aspects of the informal economy at the WEF. Often the perspective was more on how big corporates, facing low-growth economies both internationally and in SA, can access the overlooked and forgotten informal economy.

In SA it covers 70% of South Africans, according to UCT's Unilever Institute.

Five social entrepreneurs were recognised at the WEF, but would it not have been better to list a thousand examples to show the art of possibility?

There was not enough discussion at the WEF on Africa on how to fast-track economic growth, stimulate entrepreneurship or provide hand-ups rather than unsustainable handouts.

Presenters at the SMME conference did not always provide solutions but were good at (re)recording the challenges, such as:

- Access to education, especially maths and literacy,
- Access to debt finance for working capital,
- Access to angel equity finance to expand or allow additional gearing,
- Recovering from blacklisting, and
- Access to markets.

Eighty percent of the SMME speakers and panelists were from banks, government-supported entities or software providers. Finance and cash flow is the missing lubrication to get the wheels turning. We urgently need more of them to connect effectively with job-creating entrepreneurs.

We have an economy dominated by a few mega corporations, which were at the WEF. We have a multitude of informal survivalist entrepreneurs who were at neither conference. Proportional to the WEF's 1 600 delegates, the SMME conference should have had close to 150 000 delegates instead of the roughly 150 present.

What is missing is the middle economy of SMEs, but government is relying on SMEs to provide the employment for 11m jobs. The challenge is there, but I'm not hearing the how from either conference. ■

editorial@finweek.co.za

TEST YOUR **KNOWLEDGE**

This week we're giving away a copy of the film *Freakonomics* to a lucky reader who gets all the answers right. Complete the quiz on Finweek.com to enter.

finweek

1 Which beverage brand recently came under fire for an ad featuring a blonde and a brunette?

2 On which continent is the country of Eritrea?
■ Africa
■ Asia
■ Europe

3 **True or false?**
Clive Derby-Lewis was not granted medical parole.

4 At which major mall was there a roof collapse recently?
■ Mimosa Mall
■ Canal Walk
■ Sandton City

5 **True or false?**
Manmoon Hussain is the president of Egypt.

6 **True or false?**
A referendum on whether the UK should remain a member of the EU is scheduled.

7 Name the concessions company that operates the Gautrain in partnership with the Gauteng provincial government.

8 What is HSBC?
■ A Russian political party
■ A bank
■ The fund featured in last week's Fund Focus

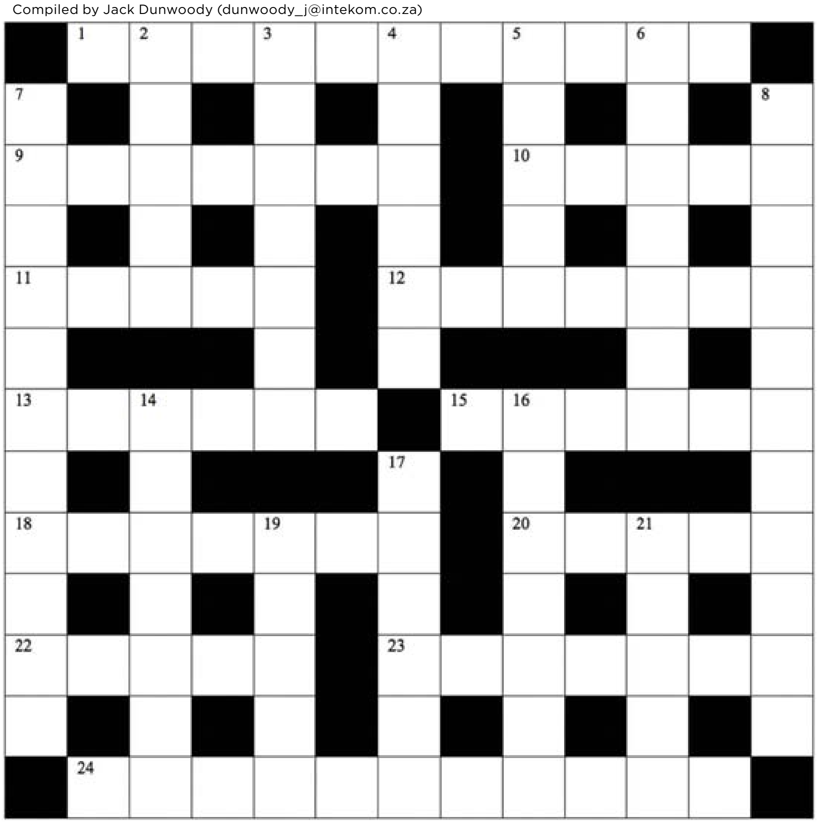
9 **True or false?**
Telkom's planned restructuring may cost thousands of jobs.

10 In which country will the 2022 FIFA World Cup be held (currently the subject of heated discussion)?

CRYPTIC CROSSWORD

NO 586 JD

Compiled by Jack Dunwoody (dunwoody_j@intekom.co.za)



ACROSS

1 Conservative vindicating Queen about Wales (5-6)
9 Now I'm back at the end without a follower (7)
10 Swear to help around school (5)
11 Correct – a non-drinker's in charge (5)
12 A box, we hear, returned to artist's studio (7)
13 Silver, sodium and tellurium all related (6)
15 Sailor to achieve ambition (6)
18 A time to run carbon dioxide discharger (7)
20 Just over half participating in lively shoot (5)
22 Conflicting with a right to retain possession (5)
23 Nurse quick to add new spark (7)
24 Somewhat sharp – unlikely description for a dumb blonde? (6,5)

DOWN

2 I'm to and fro having time to put in (5)
3 Move corps back from front of carriage to get something to eat (7)
4 Battle was to take over capital (6)
5 Open a crevice in oyster shell to reveal mother-of-pearl (5)
6 Making a mistake about a piece of jewellery (7)
7 Excessively fussy initally to wash a raincoat in water (6,5)
8 Bond, say, will mostly cover a man (6,5)
14 More complaining from police informer, does a flier at the end (7)
16 So a lamb was slain for David's third son (7)
17 Aright Cockney lady has an association with main railway line (6)
19 Teaching palindrome (5)
21 Separate rare flower (5)

Solution to Crossword NO 585 JD

ACROSS: 1 Crossword; 8 See; 9 Recruitment; 11 Satchel; 12 Odour; 13 Puzzle; 15 Escort; 17 Linen; 18 Manners; 20 Hairdresser; 22 Rai; 23 Grenadine

DOWN: 2 Roe; 3 Shush; 4 Outfly; 5 Daemons; 6 Astronomers; 7 Senoritas; 10 Citizenship; 11 Sepulture; 14 Landing; 16 Smudge; 19 Noema; 21 Eon

ON MARGIN

MAGIC TRICK

A cruise ship hired a magician to entertain the passengers. Since the passengers changed every four or five days, the magician was able to perform the same tricks over and over.

Unfortunately, the captain of the ship had a parrot that sat around and watched the magician perform his tricks, over and over. Eventually, the parrot learnt how the tricks were done and would interrupt the act.

"It's in his sleeve," the parrot would say. "He switched balls," or "It's in his pocket," and so on.

Naturally, the magician was quite annoyed with the parrot but could do nothing about it, since the bird belonged to the captain.

Unfortunately, the cruise ship had the misfortune of hitting an iceberg and sank to the bottom of the sea in a matter of minutes. As fate would have it, the magician and the parrot ended up on the same floating piece of furniture.

For three days, neither said anything. The magician stared at the parrot and the parrot stared back. Finally, on the fourth day, the parrot cracked and said: "Okay, I give up, where on earth did you put the ship?"

MIXED SIGNALS

Why am I getting divorced? Well, last week was my birthday. My wife didn't wish me a happy birthday. My parents forgot and so did my kids. I went to work and even my colleagues didn't wish me a happy birthday.

As I entered my office my secretary said: "Happy birthday, boss!" I felt so special. She asked me out for lunch. After lunch, she invited me to her apartment. We went there and she said: "Do you mind if I go into the bedroom for a minute?"

"Okay," I responded. She came out five minutes later with a birthday cake, my wife, my parents, my kids, my friends and my colleagues yelling, "SURPRISE!!!" while I was waiting on the sofa… naked.

Q: What's a pirate's least favourite letter?
A: Dear Sir,
We are writing to you because you have violated copyright…

A rabbi, a priest and a pastor walk into a bar. The bartender asks: "What is this, some kind of joke?"

"Where do you stand on white male privilege as a renewable resource?"

VERBATIM

When the market isn't playing along…

TraderPetri @TraderPetri
It's been a long tough week… gees. Glad it's over.

Trader1137 @Trader1137
The problem is she knows my position and goes up when I'm short and down when I'm long.

John Mclaren @IndieFutures
You should try flipping your charts upside down. Seriously.

Andy Paterson @CFDTRADINGIDEAS
#JSE #ALSI #COMMODITIES The new game on the market is Greek Roulette. Shoot yourself first… and then try and spin the revolver chamber.

The FIFA bribery scandal led to a number of denials from South African officials, notably sports minister Fikile Mbalula. It also triggered Twitter users to #DenyEverything, a policy Piker also adheres to at all times.

Adam Black @AdamBla27986197
The Rand is not collapsing. It's just donating to the currency diaspora of emerging markets. #DenyEverything

Niven Spence @thisotherdude
What stadiums that were built? Those were security upgrades to the old ones for our national team. #DenyEverything #Nkandla

Nchema @ShottaZee
South Africa, North Africa, East Africa. These are directions. FBI must tell us which country exactly hosted this 2010 WC. #DenyEverything

Outside Rockstar @RafaTeko
The WC was awarded to Sous Africa not the Republic of South Africa. It's like DRC and Congo, very similar but not the same. #DenyEverything

A Go-to Guy

For the kind of questions your kind of money asks.

Isn't it funny how when we start making money, we stumble onto new questions? Especially when it's the kind of money that has us asking: unit trusts or property, personal loan or overdraft, local or offshore, foreign currency or swiping a credit card while abroad? These are the kinds of questions your kind of money asks. Good thing you can ask your Private Banker – *your Go-to Guy.*

*Search **'FNB Private Clients'** or SMS **'Private'** to 48703 to switch.*

Private Clients

FNB
First National Bank

how can we help you?